

1998 Comprehensive Annual Financial Report



California State Teachers'
Retirement System

A Component Unit of
the State of California

June 30, 1998



**California State Teachers'
Retirement System**
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Sacramento, CA 95826
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www.strs.ca.gov



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California State Teachers' Retirement System
A Component Unit of the State of California
1998 Comprehensive Annual Financial Report for the year ended June 30, 1998

*Prepared by the staff of the California State Teachers' Retirement System
 7667 Folsom Boulevard Sacramento, CA 95826-2614*

James D. Mosman, Chief Executive Officer



Award GFOA Certificate

Certificate of Achievement for Excellence in Financial Reporting

Presented to

California State Teachers' Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1997

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Douglas R. Ellsworth
President

Jeffrey L. Esser
Executive Director

Award PPC Certificate



Public Pension Coordinating Council
Public Pension Principles
1998 Achievement Award

Presented to

California State Teachers' Retirement System

In recognition of instituting professional standards for public employee retirement systems as established by the Public Pension Principles.

Presented by the Public Pension Coordinating Council, a confederation of
Government Finance Officers Association (GFOA)
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink, appearing to read 'Scott Engmann', is written over a light blue circular stamp.

Scott Engmann
Chairman



CEO Letter of Transmittal

December 20, 1998



California State Teachers' Retirement System
Post Office Box 15275
Sacramento, CA 95851-0275

I am pleased to present the Comprehensive Annual Financial Report of the California State Teachers' Retirement System for the fiscal year ended June 30, 1998. The report is intended to provide complete and reliable information as a basis for making management decisions, determining compliance with legal provisions, and determining responsible stewardship of the Teachers' Retirement Fund, Cash Balance Fund and CalSTRS 403(b) Program. Responsibility for both the accuracy and completeness of the financial data and the fairness of the presentation rests with me and the management of STRS.

I expect the Teachers' Retirement Board, California Legislature, and members of the system will find this CAFR helpful in understanding the California State Teachers' Retirement System, which was established by law in 1913 to provide retirement benefits to California's public school teachers. As of June 30, 1998, STRS members consisted of employees of approximately 1,157 contributing employers, including school districts, community college districts, county offices of education and regional occupational programs. (See page 98 for a list of employers.)

The 1998 CAFR consists of five sections:

The **introductory section** contains this letter of transmittal, the administrative organization, report of the Teachers' Retirement Board chairperson and a review of STRS achievements and activities.

The **financial section** includes the report of the independent auditor, the system's financial statements and supplemental information for the Teachers' Retirement Fund, Cash Balance Fund and CalSTRS 403(b) Program.

The **investment section** contains a consultant's report summarizing investment activity, an explanation of investment policy, portfolio

performance information and various investment schedules for the Teachers' Retirement Fund. Investment of the Cash Balance Fund is also discussed. Investment information is not included for the CalSTRS 403(b) Program since all investments are member-directed into mutual funds.

The **actuarial section** includes the actuary's certification letters and plan summaries for both the STRS Defined Benefit and Cash Balance plans, in addition to the results of the latest actuarial valuations.

The **statistical section** includes information on the STRS Defined Benefit Plan, Cash Balance Plan and CalSTRS 403(b) Program.

Accounting and Reporting

STRS accounting records are maintained on the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer and state contributions are recognized when due and the employer or state has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the STRS retirement programs.

Sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules.

Revenues

Actual member and employer contribution rates for both the Defined Benefit and Cash Balance plans are set by the Teachers' Retirement Law, a part of the Education Code, which assigns the authority to establish and amend contribution rates to the state Legislature.

Teachers' Retirement Fund Defined Benefit Plan contributions and investment income for fiscal year ended June 30, 1998, totaled \$16.629 billion.

Member	\$ 1.303 billion
Employer	\$ 1.371 billion
State	\$ 1.005 billion
Investment and other	\$12.950 billion



Cash Balance Fund contributions and investment income for fiscal year ended June 30, 1998, totaled \$1.649 million.

Participant	\$ 772,000
Employer	\$ 772,000
Investment and other	\$ 105,000

CalSTRS 403(b) Program

Participant contribution rates are set by the Internal Revenue Code. Contribution and investment income for fiscal year ended June 30, 1998, totaled \$7.990 million.

Participant	\$ 5.079 million
Investment	\$ 2.911 million

Expenses

Defined Benefit Plan

The Teachers' Retirement Fund was principally created to provide retirement, survivor, and disability benefits to eligible members and their beneficiaries. The total expenses for the year were \$3.209 billion, which included benefit payments, refund of contributions to terminated employees and the cost of administering the system. Administrative expenses are allocated through an annual budget approved by the Teachers' Retirement Board.

Cash Balance Plan

The Cash Balance Plan provides retirement, survivor and disability benefits to eligible participants. Total expenses for the year were \$466,000. The costs of the plan include administrative and interest expenses.

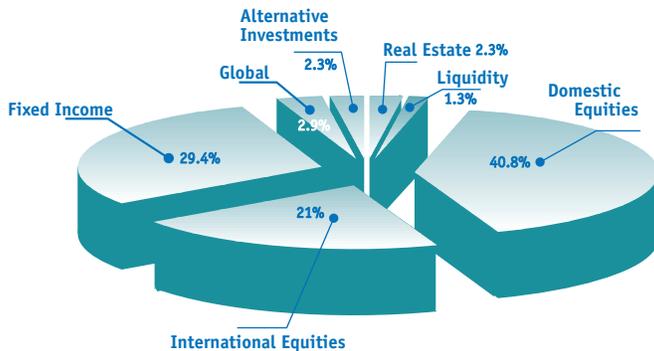
CalSTRS 403(b) Program

The CalSTRS 403(b) Program funds supplemental retirement benefits to eligible participants. Total expenses for the year were \$1.982 million, which includes recurring annuities, refunds and administrative expenses.

Investments

STRS is dedicated to obtaining the highest possible return on its investments of fund assets, given an acceptable level of risk. The STRS Investment Management Plan incorporates strategies that accomplish Teachers' Retirement Board direction. Reducing the system's funding costs, within prudent levels of risk, diversification, and reduction of

costs associated with managing the system assets are measures that have contributed to a solid investment portfolio.



As of June 30, 1998, the market value of the Teachers' Retirement Fund Investment Portfolio was \$88.3 billion, an increase of more than \$13 billion from the previous year. For fiscal year 1998, the annualized time-weighted return was 17.1 percent. The time-weighted returns were 15.9 percent for three years, 12.7 percent for five years, and 12.6 percent for ten years.

Funding

Progress toward a fully funded Defined Benefit Fund is positive, according to the most recent actuarial valuation (June 30, 1997). Under the provisions of the Elder Full Funding Act, STRS receives a state General Fund contribution set at 4.3 percent of prior calendar year member payroll. The 1997 actuarial valuation shows that the projected income stream to STRS will be sufficient to pay for projected benefits and past unfunded obligations over a period of approximately three years, an improvement from the 1995 valuation amortization period of 15 years. The actuarial accrued liability and actuarial value of assets of the system as of June 30, 1997, was \$69.852 billion and \$67.980 billion respectively. (See page 36 for a schedule of funding progress.)

Initiatives

STRS is in the final stages of establishing a new and more flexible database management system that will enhance service to members and support future STRS projects. Conversion to the new system is scheduled for March 2000.

STRS spent the 1997-98 fiscal year working toward completion of a project to ensure uninterrupted computer processing into the year 2000 and beyond. STRS updated its on-line computer system, which is used to establish and maintain active member accounts as well as pay benefits to Defined Benefit Plan members and beneficiaries. It also worked with other state agencies and member employers to guarantee their systems are compatible with STRS. The project was completed in November 1998.



Awards

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the State Teachers' Retirement System for its comprehensive annual financial report for the year ended June 30, 1997. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents meet or exceed program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The State Teachers' Retirement System has received a Certificate of Achievement for the last two years. We believe our current report continues to meet the Certificate of Achievement Program requirements and are submitting it to GFOA for consideration again this year.

STRS was awarded the Public Pension Coordinating Council's Public Pension Principles Achievement Award in 1998. This two-year award is for achievement of high professional standards for public employee retirement systems. The award is based on compliance with principles that support retirement system achievements in the areas of benefits, actuarial valuations, financial reporting, investments and disclosures to members.

Acknowledgments

The compilation of this comprehensive annual financial report reflects the combined effort of STRS staff under the leadership of the Teachers' Retirement Board. I commend their efforts on creating another outstanding report. In addition, on behalf of the board, I take this opportunity to express my gratitude to the staff, advisors, and the many people who have worked so diligently to assure the successful operation of the California State Teachers' Retirement System.

Respectfully submitted,

James D. Mosman
Chief Executive Officer

Teachers' Retirement Board



**Emma Y. Zink,
Chairperson**
(K-12 Classroom Teacher)
San Diego

*Term:
November 6, 1991 to
November 7, 1995**



**Yvonne Gallegos
Bodle**
(Community College
Instructor)
Ventura

*Term:
September 10, 1996 to
September 6, 2000*



Gary Lynes
(K-12 Classroom Teacher)
Hillsborough

*Term:
December 1994
to December 30, 1998*



Lillian Raffel
Vice Chairperson
(School Board Member)
Beverly Hills

*Term:
September 10, 1996 to
September 6, 2000*



Delaine Eastin
Superintendent of
Public Instruction
Ex-Officio Member



Michael Mayer
(Banking Official)
Red Bluff

*Term:
November 5, 1993
to November 14, 1998*



Kathleen Connell
State Controller
Ex-Officio Member



Marty Mathiesen
(System Retiree)
Los Altos

*Term:
June 4, 1996 to
June 16, 2000*



Matthew Fong
State Treasurer
Ex-Officio Member



George W. Fenimore
(Public Representative)
Los Angeles

*Term:
December 24, 1992 to
November 7, 2001*



Craig L. Brown
State Director
of Finance
Ex-Officio Member

Vacant
(Insurance Official)

** Member continues to serve at
Governor's discretion.*



Executive Staff

as of June 30, 1998



James D. Mosman
Chief Executive Officer



Patrick Mitchell
Chief Investment
Officer



Peggy A. Plett
Deputy Chief
Executive Officer
Administration



**Jennifer
DuCray-Morrill**
Deputy Chief
Executive Officer
*Governmental Affairs
and Program
Development*



Kenneth L. Costa
Director
START Project



Christopher Waddell
Chief Counsel
Legal Office



Eileen Okada
Deputy Chief
Executive Officer
Investments



Michael J. Carter
Deputy Chief
Executive Officer
*Client Benefits
and Services*



Laurence P. Martin
Deputy Chief
Executive Officer
*Information and
Financial Systems*

Professional Services

STRS contracts for the services of various independent consultants essential to the effectiveness and professional operation of the system. Watson Wyatt Company provides actuarial services and the independent auditor is PricewaterhouseCoopers, LLP. Lists of investment professionals for investment services and other consultants are provided on schedules four and five in the financial section of the report. A brief list of independent consultants is shown below.

- PricewaterhouseCoopers, LLP
- Watson Wyatt Company
- Hogan and Hartson
- SPL Worldgroup Consulting
- Towers, Perrin, Forster
- William M. Mercer



Report of the Chair

On behalf of the Teachers' Retirement Board, I am pleased to present the California State Teachers' Retirement System 1998 Comprehensive Annual Financial Report. Nothing in the recent history of the system can compare with the achievements gained this year for those who look to STRS for service and retirement security.

The highlight of the year was the historic package of legislation that becomes effective January 1, 1999. The road to this unprecedented set of benefit enhancements began in March when an actuarial valuation revealed the Teachers' Retirement Fund was 97.3 percent funded.

Thanks to a higher investment rate of return than anticipated, the new valuation showed the current unfunded liability would be paid, or amortized, by 2000, instead of in 18 years, as shown in a 1995 valuation. With the Fund nearly funded, the time was right to work on enhancing the benefit structure.

To help in the deliberations by the Teachers Retirement Board, STRS conducted a study comparing the Defined Benefit Plan with the California Public Employees' Retirement System and the teachers' retirement systems in other states. The study showed the STRS benefits fell below the level of most of the other retirement systems. The study also showed STRS benefits did not meet the adequacy level desired by the Board.

To remedy this situation and fulfill long-held desires to improve benefits, STRS designed alternatives for consideration by the Legislature and Governor Wilson to provide an adequate retirement benefit and to provide teacher recruitment and retention incentives. These two objectives were met by the benefits package of legislation, crafted with input from teacher and employer groups.

The benefits package consisted of the Ralph Dills Teachers and Recruitment and Retention Act, Chapter 1006 (AB 1102—Knox); Chapter 966 (AB 1150—Prenter); Chapter 967 (AB 2804—Honda); and Chapter 968 (SB 1528—Schiff), all Statutes of 1998.

A coalition of interested parties educated legislators on the need to support the benefits package. The actual passage of the benefits package ended with a dramatic sprint to the finish line, with the Legislature voting on the bills during the last day of the two-year legislative session.

The final hurdle toward enactment was Governor Wilson's signature. The Governor, along with the Legislature, has long been interested in solving California's teacher shortage and recognized the recruitment and retention value of the benefits package. Even before the bills were passed, Governor Wilson had signaled his willingness to sign the legislation into law.

Any increase in benefits naturally comes with an increase in costs. TRB policy requires adequate funding as a prerequisite for new benefits. Therefore, one of the bills enacted in the benefits package establishes a payment plan for the unfunded obligations set up by the new benefits by refinancing the unfunded obligation remaining on the prior debt.

Rather than spending about \$650 million to reduce the prior debt by the year 2000, the General Fund will spend only about \$80 million a year over an extended period of time until the unfunded liability is eliminated. Most of the remaining money will pay the costs of the new benefits, with the remainder staying in the General Fund. In this way, the state spends less money than it otherwise would have and the teachers of California get needed and well-deserved retirement benefits.

Respectfully submitted,



Emma Y. Zink
Teachers' Retirement Board, Chairperson



Year in Review

Membership

Membership in the STRS Defined Benefit Plan includes employees of public schools in California, kindergarten through community college, who teach students, are involved in the selection and preparation of instructional materials, or are supervising persons engaged in those activities.

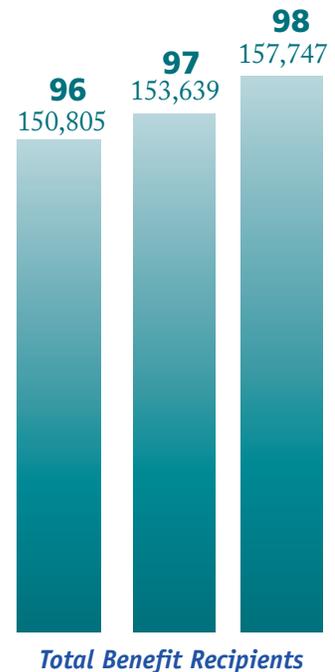
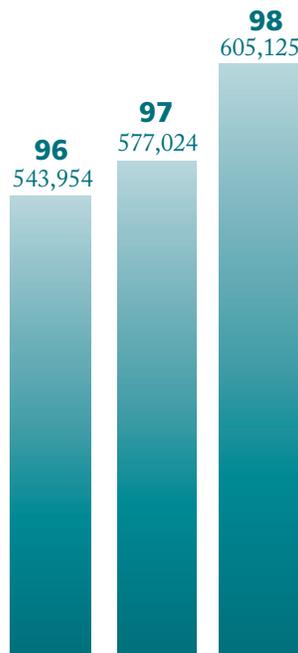
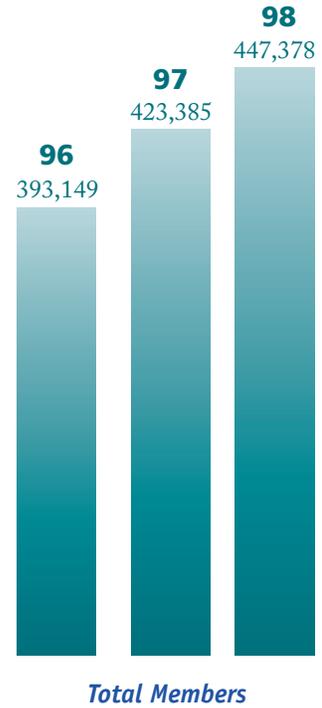
Membership remains in effect as long as the contributions remain on deposit with the system.

Members are employees of approximately 1,157 contributing employers, including public school districts, community college districts, county offices of education and state reporting entities in California. STRS Defined Benefit Plan includes service retirement, benefits for survivors and disability benefits.

A beneficiary of a retired member who has elected a joint and survivor option receives a continuing lifetime allowance upon the retired member's death.

As of June 30, 1998, there were a total of 447,378 active and inactive members and 157,747 retired members, disability and survivor benefit recipients. The combined total of members and benefit recipients equals 605,125, an increase of 28,101 more than the previous fiscal year.

(The audit report of the independent accountants, presented in the financial section, contains Defined Benefit Plan membership data as of June 30, 1997.)



Total Members and Benefit Recipients

Benefits to Members and Benefit Recipients

Service Retirement

STRS desires the retirement process to be positive, rewarding and comfortable for the members. STRS believes fast, accurate and efficient benefit payments are fundamental to achieving this goal.

Of the 7,786 members who retired in 1997/98 fiscal year, 98 percent received his or her first benefit payment within the STRS-established goal of 30 days of the person's retirement date (or after receipt of the completed application). STRS' 30-day goal exceeds the 45-day standard mandated by law.

This year, 6,512 members used the express benefits service. This service enables a retiring member to receive credit for unused sick leave in his or her first retirement benefit payment, resulting in a high level of payment accuracy.

Survivor Benefits

STRS received 4,829 survivor benefits applications. Of the applications received, 99 percent were processed within the 45-day legislative standard, a 3 percent improvement from last year. Each year, STRS increases the number of applications processed within the 45-day standard.

Disability

The Disability Services Section received 575 disability applications during 1997/98, 2 percent less than the previous year. Staff processed 100 percent of all initial disability payments within 10 working days of receipt of all necessary information.

Ninety-four percent of the disability applications were processed within six months of the initial receipt of the application.

A total of 26 members successfully completed a rehabilitation program and returned to work for a future STRS savings of \$8.3 million.

Services to Members and Beneficiaries

Public Service

Public Service staff answered 183,942 calls, an increase of 20,230, or 12 percent, from last year. STRS automated attendant telephone system received 77,543 calls, a decrease of 8 percent from 1996/97.

The automated interactive telephone system, Teletalk, received 37,892 calls, a decrease from last year of 9 percent. STRS is proud of the fact that 97 percent of the telephone calls handled by staff were answered in the initial call, thus avoiding the need to call back the member. According to a comparative study of telephone service, this performance level rates as a "best in class" practice.

Eighty-eight percent of all calls were answered within 3 minutes or less, an increase in service of 5 percent from last year. The average call wait time decreased from 1.2 minutes to .83 minutes, a significant increase in the member's ability to access STRS by phone.

The Public Service Office received 7,007 pieces of correspondence, a slight reduction from last year.



Member Communication

STRS communicates with members and beneficiaries through the *Bulletin* and the *Retired Educator*. The *Bulletin* is mailed twice a year to all members. It contains information from STRS Chief Executive Officer and the Teachers' Retirement Board. Also presented are legislative summaries and discussions of educator issues.

The *Retired Educator* is mailed twice a year to retired members and benefit recipients and contains issues and information of special interest to them.

A detailed program book and single-topic brochures are mailed upon request, given to members during personal interviews, and are available by mail or telephone request to employers and employees. STRS mails the *New Member Guide* to newly hired educators.

STRS Internet Home Page

The STRS Home Page is intended to provide information for members, employers and STRS' business partners. The STRS Home Page includes many useful features, such as the Retirement Benefit Calculator, which allows members to estimate their retirement benefit; an online feedback form; and the Employer Page to provide county and school district personnel with pertinent information. A variety of other topics, ranging from the monthly Teachers' Retirement Board agenda to various STRS publications, are updated throughout the year.

Mid-Career Planning

Eighteen Make-A-Plan workshops were presented around the state under this program. Information regarding STRS benefits, financial planning, applicable Social Security provisions and the new Long-Term Care program were presented to 1,080 members and their guests.

Retirement Planning Workshops

Personal retirement counseling interviews were provided to 21,332 members in 1997–98. In addition, 430 workshops covering retirement, disability and survivor benefits were presented to 9,195 members. These interviews and workshops allow members a chance to have direct contact with staff who answer their questions.

Services to Employers, Member and Client Organizations

The Employer Advisory Committee is composed of county and district employer representatives and STRS staff. The Client Advisory Committee includes members of various organizations representing STRS members and benefit recipients.

These committees meet regularly to provide a forum for active participation in the formation of STRS policies and procedures in areas of information dissemination, benefit plan administration and service to members and beneficiaries.

Reaching consensus with the two committees on legislative proposals, as well as policy issues, is important to the Teachers' Retirement Board. Therefore, staff also schedules special meetings and works closely with both committees on plan design and other crucial member and employer issues.

Twice a year, STRS staff conducts Employer Institutes, with one session presented in southern California and another in northern California. STRS processes, laws and policies are discussed with employer staff, giving an opportunity for STRS and employers to exchange information.

STRS staff also conducts field visits to individual counties and school districts. The purpose of the visit is to provide specific information to the employer regarding STRS' data reporting process. In addition to the reporting procedures, staff discusses the use of the Remote Employer Access Program that allows the employer direct access to the STRS database for verification and review of members' service and contribution records, thereby improving the accuracy and timeliness of the reporting process.

Actuarial Information

The consulting actuary conducts an actuarial investigation of the system's experience every four years and an actuarial valuation every two years. An experience analysis covering the census as of June 30, 1995, was completed in March 1996.

The assumptions adopted as a result of this experience analysis were used for the June 30, 1997 actuarial valuation.

As a result of the experience analysis, economic assumptions were revised to reflect a decrease in consumer price inflation from 5.00 percent to 4.50 percent, a decrease in investment yield from 8.50 percent to 8.00 percent and a decrease in wage inflation from 6.50 to 5.50 percent. The assumption for growth in active membership was eliminated to comply with revised accounting standards.

A new asset valuation method was adopted. Under this method, the value of assets is determined using expected value with a 25 percent adjustment to market value. There were also minor changes in demographic assumptions.

The normal cost rates and amortization periods from the last two actuarial valuations are provided in the table below.

The normal cost rate from the June 30, 1995, valuation has decreased due to a more accurate analysis of member demographics by the consulting actuary. The decrease in the amortization period reflects actuarial gains and losses resulting from economic and demographic experience varying from assumptions, better than expected returns on investment and collection of more contributions than expected. It must be noted that the amortization period may increase in future valuations if actuarial losses result for any reason and are not offset at least equally by actuarial gains. For example, lower than expected investment returns can extend the amortization period.

Valuation Date	Normal Cost Rate	Amortization Period
6/30/95	16.07%	18 years
6/30/97	15.79%	3 years



Report on Audits of Combined Financial Statements and Supplemental Information

as of June 30, 1998, and for the year then ended

REPORT OF INDEPENDENT ACCOUNTANTS

Teachers' Retirement Board
State Teachers' Retirement System

In our opinion, based upon our audits and the report of other auditors, the accompanying combined statements of plan net assets and the related combined statements of changes in plan net assets present fairly, in all material respects, the plan net assets of the State Teachers' Retirement System (System), a component unit of the State of California, as of June 30, 1998, and the changes in plan net assets for the year then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the System's management; our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the System's 403(b) Program. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on those financial statements is based solely on the report of the other auditors. We previously audited and reported on the financial statements of the System for the year ended June 30, 1997, the reporting entity totals of which are included for comparative purposes only. We conducted our audits of the financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for the opinion expressed above.

As discussed in Note 2 to the financial statements, the System adopted Government Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Teachers' Retirement Board
State Teachers' Retirement System

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in Schedules 1 and 2 is required under GASB Statement No. 25, *Financial Reporting For Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The supplemental information included in Schedules 3 through 8 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information for the years ended June 30, 1998, 1997, 1996, 1995, 1994 and 1993, has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion and based on the report of other auditors, is fairly stated in all material respects in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

Sacramento, California
October 12, 1998

STATE TEACHERS' RETIREMENT SYSTEM
COMBINED STATEMENTS OF PLAN NET ASSETS
as of June 30, 1998
WITH REPORTING ENTITY TOTALS
as of June 30, 1998 and 1997
(In thousands)

	<u>Teachers'</u> <u>Retirement</u> <u>Fund</u>	<u>Cash</u> <u>Balance</u> <u>Fund</u>	<u>403(b)</u> <u>Program</u>	<u>Reporting Entity Totals</u>	
				<u>1998</u>	<u>1997</u>
ASSETS					
Investments, at fair value:					
Short-term	\$ 1,725,028	\$ 368	\$ 13,508	\$ 1,738,904	\$ 1,994,718
Debt securities:					
Directly held:					
Domestic	17,752,345	--	90	17,752,435	17,183,372
International	603,994	--	--	603,994	496,988
Pooled - domestic	8,529,149	608	--	8,529,757	8,067,058
Equities:					
Directly held:					
Domestic	11,835,091	--	11,588	11,846,679	9,719,328
International	18,525,360	--	123	18,525,483	16,141,751
Pooled - domestic	24,896,824	1,000	--	24,897,824	17,155,529
Alternative	1,983,165	--	--	1,983,165	1,366,122
Real Estate	2,061,342	--	--	2,061,342	2,428,341
Securities lending collateral	16,996,456	--	--	16,996,456	18,647,550
Total investments	<u>104,908,754</u>	<u>1,976</u>	<u>25,309</u>	<u>104,936,039</u>	<u>93,200,757</u>
Cash and cash equivalents	<u>4,409</u>	<u>--</u>	<u>--</u>	<u>4,409</u>	<u>5,135</u>
Receivables:					
Investments sold	292,493	--	--	292,493	235,198
Foreign exchange contracts	2,250,123	--	--	2,250,123	2,744,409
Interest and dividends	481,709	123	104	481,936	472,513
Member/employer and other	313,363	--	--	313,363	299,136
Total receivables	<u>3,337,688</u>	<u>123</u>	<u>104</u>	<u>3,337,915</u>	<u>3,751,256</u>
Other assets	<u>534</u>	<u>--</u>	<u>64</u>	<u>598</u>	<u>3,956</u>
Total assets	<u>108,251,385</u>	<u>2,099</u>	<u>25,477</u>	<u>108,278,961</u>	<u>96,961,104</u>
LIABILITIES					
Payable for investments purchased	438,784	--	--	438,784	389,720
Payable for foreign exchange contracts	2,204,647	--	--	2,204,647	2,744,650
Benefits in process of payment	295,666	--	--	295,666	269,271
Other liabilities	117,497	1,309	22	118,828	113,023
Securities lending obligation	16,996,456	--	--	16,996,456	18,647,550
Total liabilities	<u>20,053,050</u>	<u>1,309</u>	<u>22</u>	<u>20,054,381</u>	<u>22,164,214</u>
Net assets held in trust for pension benefits (a schedule of funding progress is presented in Schedule 1)	<u>\$ 88,198,335</u>	<u>\$ 790</u>	<u>\$ 25,455</u>	<u>\$ 88,224,580</u>	<u>\$ 74,796,890</u>

The accompanying notes are an integral part of these financial statements.

STATE TEACHERS' RETIREMENT SYSTEM
COMBINED STATEMENTS OF CHANGES IN PLAN NET ASSETS
for the year ended June 30, 1998
WITH REPORTING ENTITY TOTALS
for the years ended June 30, 1998 and 1997
(In thousands)

	<u>Teachers'</u> <u>Retirement</u> <u>Fund</u>	<u>Cash</u> <u>Balance</u> <u>Fund</u>	<u>403(b)</u> <u>Program</u>	<u>Reporting Entity Totals</u>	
				<u>1998</u>	<u>1997</u>
ADDITIONS					
Contributions:					
Members	\$ 1,302,802	\$ 772	\$ 5,079	\$ 1,308,653	\$ 1,199,159
Employers	1,371,404	772	--	1,372,176	1,250,074
State of California	<u>1,004,569</u>	<u>--</u>	<u>--</u>	<u>1,004,569</u>	<u>872,374</u>
Total contributions	<u>3,678,775</u>	<u>1,544</u>	<u>5,079</u>	<u>3,685,398</u>	<u>3,321,607</u>
Investment income:					
Net appreciation (realized and unrealized) in fair value of investments	9,973,501	77	1,736	9,975,314	8,164,127
Interest, dividends and other investment income	2,967,177	28	1,175	2,968,380	2,850,853
Securities lending income	1,066,103	--	--	1,066,103	1,142,068
Less investment expenses:					
Cost of lending securities	(1,016,704)	--	--	(1,016,704)	(1,093,044)
Other	<u>(40,577)</u>	<u>--</u>	<u>--</u>	<u>(40,577)</u>	<u>(43,433)</u>
Net investment income	<u>12,949,500</u>	<u>105</u>	<u>2,911</u>	<u>12,952,516</u>	<u>11,020,571</u>
Other income	<u>748</u>	<u>--</u>	<u>--</u>	<u>748</u>	<u>729</u>
Total additions	<u>16,629,023</u>	<u>1,649</u>	<u>7,990</u>	<u>16,638,662</u>	<u>14,342,907</u>
DEDUCTIONS					
Retirement, death and survivor benefits	2,923,753	--	165	2,923,918	2,753,640
Refunds of member contributions	69,047	--	1,662	70,709	66,791
Purchasing power benefits	179,385	--	--	179,385	159,383
Administrative expenses	36,339	397	155	36,891	37,618
Interest expense	<u>--</u>	<u>69</u>	<u>--</u>	<u>69</u>	<u>35</u>
Total deductions	<u>3,208,524</u>	<u>466</u>	<u>1,982</u>	<u>3,210,972</u>	<u>3,017,467</u>
Net increase	13,420,499	1,183	6,008	13,427,690	11,325,440
Net assets (deficit) held in trust for pension benefits					
Beginning of year	<u>74,777,836</u>	<u>(393)</u>	<u>19,447</u>	<u>74,796,890</u>	<u>63,471,450</u>
End of year	<u>\$ 88,198,335</u>	<u>\$ 790</u>	<u>\$ 25,455</u>	<u>\$ 88,224,580</u>	<u>\$ 74,796,890</u>

The accompanying notes are an integral part of these financial statements.

STATE TEACHERS' RETIREMENT SYSTEM
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

1. Description of the System and Contribution Information:

The State Teachers' Retirement System (System) is the administrator of cost-sharing multiple-employer pension plans and a tax-deferred supplemental program, as described below, established and administered by those sections of the State Education Code known as the State Teachers' Retirement Law (Section 22000 et. seq.), which assigns the authority to establish and amend the benefit provisions of the System to the State of California (State) Legislature. The System is a component unit of the State of California. These financial statements include only the accounts of the System. The System's financial statements are included as a trust fund in the financial statements of the State of California. The System provides pension benefits to California full-time and part-time public school teachers from preschool through grade fourteen and certain other employees of the public school system.

Teachers' Retirement Fund (TRF)

The TRF is a defined benefit pension plan. At June 30, 1998, there were approximately 1,157 contributing employers (school districts, community college districts, county offices of education and regional occupational programs). The State is a nonemployer contributor to the TRF. Membership is mandatory for all employees meeting the eligibility requirements. At June 30, 1997, membership consisted of:

Active members:	
Vested	227,509
Nonvested	136,491
Inactive members	59,385
Retirees and benefit recipients	<u>153,639</u>
Total members, retirees and beneficiaries	<u><u>577,024</u></u>

Information as of June 30, 1998, will not be available until November 1998.

STATE TEACHERS' RETIREMENT SYSTEM
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

1. Description of the System and Contribution Information, continued:

TRF provides defined retirement benefits based on members' final compensation, age, and years of credited service. In addition, the retirement program provides benefits to members upon disability, and to survivors upon the death of eligible members. Benefit provisions include:

- After five years of credited California service, members become 100% vested in retirement benefits earned to date. Members are eligible for normal retirement at age 60. The normal retirement benefit is equal to 2% of final compensation for each year of credited service. Final compensation is defined as the highest average annual compensation earnable during either any three consecutive years of credited service, or twelve consecutive months if the employer elects to pay the additional cost for classroom teachers. Early retirement options are available at age 55 or as early as age 50 with 30 years of credited service.
- After five years of credited California service, a member (prior to age 60 if under coverage A, no age limit if under coverage B) is eligible for disability benefits of up to 50% of final compensation plus 10% of final compensation for each eligible child, up to a maximum of 40%. The member must have a disability that will exceed a period of twelve or more months to qualify for a benefit.
- A family benefit is available if the deceased member had at least one year of credited service.
- Members' accumulated contributions are refundable with interest upon separation from the System. The 1997-98 fiscal year rate of interest credited to members' accounts is 6.25%.

Purchasing power protection is provided to those benefit recipients whose purchasing power has been reduced below certain levels. The purchasing power protection is funded by a combination of School Lands Revenue and Supplemental Benefit Maintenance Account (SBMA) contributions. School Lands Revenue is appropriated pursuant to Public Resources Code Section 6217.5 from the use of school lands.

STATE TEACHERS' RETIREMENT SYSTEM
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

1. Description of the System and Contribution Information, continued:

The Cecil Green/William Campbell/Dave Elder Act (Act) of 1989 (Education Code Section 22954) established the SBMA to provide annual distributions (in quarterly payments) to retired and disabled members, and beneficiaries in order to restore purchasing power to a minimum of 68.2% of the initial monthly allowance. The Mrs. Ruth Q. dePrida Pension Protection Act, SB 1026 (Schiff), Chapter 939, Statutes of 1997 increased the minimum purchasing power to 75%, effective January 1, 1998. The State's contributions for the year ended June 30, 1998 were sufficient to meet the purchase power obligations.

Required Contributions

Actual member and employer rates are set by the State Teachers' Retirement Law which assigns the authority to establish and amend contribution requirements to the State Legislature. Required contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. The System also uses the level percentage of payroll method to calculate the amortization of the unfunded liability.

A summary of statutory rates and other sources of contributions to the System is as follows:

- | | | |
|---------------------|---|--|
| Members | - | 8% of applicable member earnings |
| Employers | - | 8.25% of applicable member earnings |
| State of California | - | The enactment of SB 1370 (Ed. Code Section 22955), known as the "Elder Full Funding Act," provides for eventual full funding for the System. The provisions of the bill which became effective July 1, 1990, replaced the prior State contribution with a new funding mechanism beginning July 1, 1991. The State's annual contribution to the System is 4.3% of the previous calendar year's member payroll. Subsequent to achieving a fully funded System, the State will contribute only the amount necessary to help fund the normal cost of the current benefit program unless a subsequent unfunded obligation occurs. |

STATE TEACHERS' RETIREMENT SYSTEM
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

1. Description of the System and Contribution Information, continued:

- A statutory employer contribution rate of .415% (approximately \$64 million in fiscal 1997-98) of payroll under Education Code Sections 22952 and 22953. These are employer contributions appropriated by the State to the System pursuant to the Education Code. Actual State appropriations were approximately \$45 million (approximately .294% of covered payroll) for the year ended June 30, 1998.

In their most recent actuarial valuation as of June 30, 1997, the System's independent actuaries determined the estimated amortization period for the unfunded obligation computed using the cost method and the statutory contribution rates as described above. Based on this valuation, the current statutory contributions are equivalent to 20.48% of covered payroll. The current level of contributions is sufficient to fund normal cost and amortize the unfunded actuarial accrued liability of \$1.87 billion at June 30, 1997, by the year 2000. Once amortization is complete, the State contribution will drop to the level necessary to help fund the normal cost of the current benefit program. Certain risks related to the global financial markets may affect the fair value of the System's investment portfolio. The System's management is continually evaluating the impact of market fluctuations on the unfunded actuarial accrued liability.

Cash Balance Fund (CB Fund)

The CB Fund is the depository for the assets of the Cash Balance Plan (CB Plan) which was established under Part 14 of the California Education Code (Section 26000 et seq.) and subsequently amended by Assembly Bill 2673, as a separate defined benefit plan within the System designed for employees of California's public schools who are hired to perform creditable service for less than 50% of the full-time equivalent for the position. Participation in the CB Plan is optional to school districts, community college districts, county offices of education and regional occupational programs. If a school district, community college district, county office of education, or regional occupational program elects to offer the CB Plan, each eligible employee will automatically be covered by the CB Plan, unless the member elects to participate in TRF or an alternative plan provided by the employer within 60 days of hire.

STATE TEACHERS' RETIREMENT SYSTEM
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

1. Description of the System and Contribution Information, continued:

A summary of statutory contribution rates for the CB Fund is as follows:

Members	-	4% of applicable member earnings
Employers	-	4% of applicable member earnings

Employers may enter into a collective bargaining agreement to pay different rates if certain minimum conditions are met. Contributions to the CB Fund commenced as of February 1, 1997. At June 30, 1998, there were 13 contributing school districts and approximately 3,507 contributing members.

In their most recent actuarial valuation as of June 30, 1997, the CB Fund's independent actuaries determined the unfunded actuarial accrued liability to be approximately \$557,000. Management believes that the financial condition of the CB Fund will improve when a larger asset base becomes available to fund administrative expenses upon the merger of the TRF and CB Fund (Note 7).

STRS 403(b) Program (403(b) Program)

The 403(b) Program was authorized pursuant to Assembly Bill 3064 and meets the requirements of the Internal Revenue Code Section 403(b). The 403(b) Program plan is a defined contribution plan and is open to any employee who is eligible to participate. Contributions to the program are voluntary and require no minimum limitations, however, the Internal Revenue Code does impose a maximum amount that can be contributed annually. At June 30, 1998, there were approximately 1,498 plan members and approximately 365 participating employers (school districts).

An agreement was entered into between the System and State Street Bank and Trust Company (SSB) on January 1, 1995, to appoint SSB as third-party administrator, record keeper and master custodian for the 403(b) Program assets. The appointment will expire on January 1, 2001. The financial statements include the accounts of the money market, S&P 500, self managed account and loan funds.

STATE TEACHERS' RETIREMENT SYSTEM
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting Policies:

Basis of Accounting

The accounting records of the System are maintained on the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer and State contributions are recognized when due and the employer or State has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with System's retirement program.

New Accounting Pronouncements

Effective July 1, 1997, the System implemented Government Accounting Standards Board Statement (GASB) No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which establishes accounting and financial reporting standards for certain investments, and establishes fair value as the accounting principle for investments that have readily determinable fair values. The adoption of GASB No. 31 had no impact on net assets held in trust for pension benefits at July 1, 1997.

The GASB is currently evaluating a proposed Technical Bulletin, Disclosures About Year 2000 Resources Committed, which is expected to require the System to provide additional disclosures related to its commitment to make Year 2000 compliance changes or updates to computer systems and equipment. The System is currently evaluating the impact of this proposed Technical Bulletin on its disclosures.

Use of Estimates in the Preparation of Financial Statements

The preparation of the System's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and when applicable, disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

STATE TEACHERS' RETIREMENT SYSTEM
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting Policies, continued:

Investments

The majority of the securities held in the investment portfolio at June 30, 1998, are in the custody of or controlled by the SSB, the System's master custodian. State statutes and Board policies allow investments consisting of government, corporate and international bonds, domestic and international equities, mutual funds, limited partnership holdings, real estate, mortgages and other investments.

All investments are reported at fair value. The fair values of investments are generally based on published market prices and quotations from major investment firms. In the case of debt securities acquired through private placements, fair value is computed by management based on market yields and average maturity dates of comparable quoted securities. Investments pooled within the System's reporting entity are valued based upon the fair values of the assets held in the pools. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Real estate equity investment fair values are based on either recent estimates provided by the System's contract real estate advisors or independent appraisers. Short-term investments are reported at cost or amortized cost, which approximates fair value.

Purchase and sales of debt securities, equity securities and short-term investments are recorded on the trade date. Real estate equity transactions are recorded on the settlement date.

There are certain market risks, credit risks, foreign currency exchange risks, or event risks which may subject the System to economic changes occurring in certain industries, sectors or geographies.

STATE TEACHERS' RETIREMENT SYSTEM
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting Policies, continued:

Foreign Exchange Contracts

The TRF enters into forward foreign exchange contracts primarily to minimize the short-term impact of foreign currency fluctuations on the asset and liability positions of foreign investments. Certain external portfolio managers have been authorized to hold forward contracts for investment purposes. As of June 30, 1998, all contracts were held for hedging purposes. These contracts are reported at fair value based on published market prices and quotations from major investment firms. The TRF could be exposed to risk if the counterparties to the contracts are unable to meet the terms of their contracts. The TRF seeks to minimize risk from counterparties by establishing minimum credit quality standards and maximum credit limits.

Administrative Expenses

The 403(b) Program reimburses the TRF for administrative services provided on its behalf.

As allowed by California Education Code Section 26207, the CB Fund borrowed \$1,000,000 from the TRF for administrative costs incurred during fiscal 1996-97, the first year of operation. The advance must be repaid with interest at the regular interest rate as set forth in the Education Code, which was at 6.50% as of June 30, 1998. Payment on the advance will be made from the investment earnings of the plan during years in which the total investment earnings for the plan year exceed the sum of the total amount required to credit all employee and employer accounts at the interest rate set by the Teachers' Retirement Board (STRS Board) plus administrative costs of the plan for the year. Investment earnings in excess of such sum shall first be applied to the repayment of any loan. As of June 30, 1998, the CB Fund owed \$1.29 million to the TRF, which included accrued interest.

Income Taxes

The TRF and CB Fund are organized as tax-exempt retirement plans under the Internal Revenue Code. The 403(b) Program is organized as a tax-deferred supplemental program under the Internal Revenue Code. The System's management believes that it has operated within the constraints imposed by federal tax law.

STATE TEACHERS' RETIREMENT SYSTEM
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting Policies, continued:

Investment Expense

Expenses directly associated with investment management have been included as other investment expenses, indirect expenses have not been allocated.

Securities Lending Transactions

The System reports securities lent, the cash collateral held as assets and the related liabilities resulting from security lending transactions on the statement of plan assets. The System also reports the costs of lending securities as investment expenses on the statement of changes in plan net assets.

Reclassifications

Certain prior year balances have been reclassified to conform with the current year presentation.

3. Investments:

The System's investments are categorized below to give an indication of the category risk level assumed by the System at June 30, 1998, as defined by GASB Statement No. 3. Category 1, the lowest risk, includes investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the System's name. Investment pools managed by other governments, investments held by broker-dealers under securities loans, alternative investments and real estate equity investments are not categorized.

STATE TEACHERS' RETIREMENT SYSTEM
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

3. Investments, continued:

The following table presents investments held by TRF by type at June 30, 1998 (in thousands):

Investment Type	Category 1	Category 2	Category 3	Category Rating Not Required	Fair Value
Categorized:					
Short-term investments	\$ 1,466,626	\$ --	\$ --	\$ 258,402	\$ 1,725,028
Debt securities	16,718,122	--	--	--	16,718,122
Equity securities	47,958,903	--	--	--	47,958,903
Alternative investments	--	--	--	1,983,165	1,983,165
Real estate equity investments	--	--	--	2,061,342	2,061,342
Securities lending collateral	16,996,456	--	--	--	16,996,456
Not categorized:					
Investments held by broker-dealers under securities loans:					
Debt securities	--	--	--	10,167,366	10,167,366
Equity securities	--	--	--	7,298,372	7,298,372
Total investments	\$ 83,140,107	\$ --	\$ --	\$ 21,768,647	\$ 104,908,754

Short-term investments of the TRF as of June 30, 1998, are comprised of the following (in thousands):

Surplus Money Investment Fund (State of California)	\$ 258,402
Repurchase agreements	4,555
Bankers acceptance	33,283
Certificates of deposit	250,001
Commercial paper	409,229
Treasury bills	479,075
Foreign currency	48,967
Short-term agencies	241,516
Total	\$ 1,725,028

STATE TEACHERS' RETIREMENT SYSTEM
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

3. Investments, continued:

The TRF's investment in the Surplus Money Investment Fund (SMIF), administered by the state, represents various investments generally with maturity dates of 200 days or less, and is reported at amortized cost which approximates market value.

The TRF's repurchase agreement transactions at June 30, 1998, have underlying collateral with market values of approximately 102% of the cost of the repurchase agreement. The agreed-upon yield is 5% with maturity dates through July 1, 1998.

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is not held as a form of investment.

State statutes and STRS Board policies permit the TRF to lend its securities to broker-dealers and other entities for which collateral is received with a simultaneous agreement to return the collateral for the same securities in the future. TRF has contracted with third party securities lending agents to lend domestic and international equity and debt securities. All securities loans can be terminated on demand by either TRF or the borrower. Collateral in the form of cash or other securities is required for 102% and 105% of the fair value of domestic and international securities, respectively, loaned. As of June 30, 1998, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. Cash collateral is invested in short-term investments, which at year-end have a weighted-average maturity of less than 90 days, and the assets held as collateral are presented in the above table of investments held. TRF is not permitted to pledge or sell collateral securities received unless the borrower defaults. The contracts with the security lending agents require them to indemnify TRF if the borrowers fail to return the securities (or if the collateral is not sufficient to replace the securities lent) or if the borrower fails to pay TRF for income distributions by the securities' issuers while the securities are on loan.

CB Fund

The investments of the CB Fund were maintained in the SMIF or pooled with TRF. Investment in SMIF is stated at amortized cost which approximates market and is not required to be categorized under GASB Statement No. 3.

STATE TEACHERS' RETIREMENT SYSTEM
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

3. Investments, continued:

The CB Fund owns less than .01% of equity and debt securities pools sponsored by TRF. The assets held by the equity and debt securities pools are categorized as Category 1 under GASB Statement No. 3.

403(b) Program

Investments held by the 403(b) Program are mutual funds and are not required to be categorized by risk levels under GASB Statement No. 3.

4. Cash and Cash Equivalents:

Cash and cash equivalents of \$4.409 million held by TRF are collateralized and classified as risk Category 1 investments under GASB Statement No. 3.

5. Contingencies:

The TRF is involved in litigation relating to various matters. In the opinion of management, after consultation with legal counsel, the outcome of this litigation will not have a material adverse effect on the TRF's financial position.

6. Commitments:

In conjunction with the purchase of various partnership interests, the TRF has remaining funding commitments of approximately \$2.3 billion at June 30, 1998.

The TRF has entered into agreements to guarantee the payment of principal and interest in the event that the primary obligator defaults. The TRF is paid a fee over the term of the agreement, and in the event of default, the TRF could draw on the standby letter-of-credit for repayment. At June 30, 1998, the TRF has commitments of approximately \$489.4 million expiring through June 30, 2003. Fee income earned by TRF was \$1.129 million for the year ended June 30, 1998.

STATE TEACHERS' RETIREMENT SYSTEM
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued

7. Subsequent Events:

Merger of TRF and CB Fund

On September 30, 1998, the State's Governor signed into law SB 2085 that would require the System's CB Fund to merge into TRF effective January 1, 1999. The law provides, among other things, that both the Defined Benefit Program and the Cash Balance Benefit Program would be included in the Teachers' Retirement Law and that they would both be known and cited as the State Teachers' Retirement Plan (STRP). The new legislation also requires that the cost of administration will be divided proportionately based on the assets of the separate programs and that all administrative costs of the Cash Program will be paid from the TRF. Additionally, the prior loan from the TRF to the CB Fund will be discharged by the creation of the STRP.

SUPPLEMENTAL INFORMATION

STATE TEACHERS' RETIREMENT SYSTEM
Teachers' Retirement Fund and Cash Balance Fund
Schedule of Funding Progress
June 30, 1998

Actuarial Valuation Date As of <u>June 30,</u>	Actuarial Value of <u>Assets</u> (a)	Actuarial Accrued Liability <u>(AAL)</u> (b)	Unfunded AAL <u>(UAAL)</u> (b-a)	Funded <u>Ratio</u> (a/b)	Covered <u>Payroll</u> (c)	UAAL as a % of Covered <u>Payroll</u> (b-a)/c)
Teachers' Retirement Fund (dollars in millions):						
1998	(1)	(1)	(1)	(1)	(1)	(1)
1997	\$67,980	\$69,852	\$1,872	97%	\$14,521	13%
1996	(1)	(1)	(1)	(1)	(1)	(1)
1995	55,207	63,391	8,184	87%	12,688	65%
1994	(1)	(1)	(1)	(1)	(1)	(1)
1993	45,212	53,581	8,369	84%	11,994	70%
Cash Balance Fund (dollars in thousands):						
1998	(2)	(2)	(2)	(2)	(2)	(2)
1997	\$(393)	\$164	\$557	(240)%	\$4,504	12%

(1) No actuarial report is prepared in even-numbered years for the Teachers' Retirement Fund. No estimation using actuarial methodology is made in years between valuations.

(2) The 1998 actuarial report for the Cash Balance Fund will be available in November 1998.

STATE TEACHERS' RETIREMENT SYSTEM
Teachers' Retirement Fund and Cash Balance Fund
Schedule of Contributions from Employers
and Other Contributing Entities
June 30, 1998
(Dollars In Thousands)

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u> (a)	<u>Contributed by Employers (1)</u> (b)	<u>Contributed By the State (2)</u> (c)	<u>Total Contributed</u> (b + c)	<u>Percentage Contributed</u> ((b + c)/a)
---------------------------	--	--	--	-------------------------------------	--

Teachers' Retirement Fund:

1998	\$1,911,466	\$1,419,212	\$586,946	\$2,006,158	105%
1997	1,835,329	1,299,163	550,117	1,849,280	101%
1996	1,725,955	1,195,768	530,187	1,725,955	100%
1995	1,588,892	1,110,979	518,816	1,629,795	103%
1994	1,586,360	1,125,971	517,944	1,643,915	104%
1993	1,583,832	1,084,249	510,757	1,595,006	101%

Cash Balance Fund:

1998	\$772	\$772	\$-0-	\$772	100%
1997	\$ 74	\$ 74	\$-0-	\$ 74	100%

- (1) For TRF, includes additional employer contributions under Sections 22950 to 22953 and 22955.
- (2) For TRF, includes SB 1370 (Elder Full Funding Act) representing additional amounts to maintain the full value of the contribution schedule required by statute.

STATE TEACHERS' RETIREMENT SYSTEM
Teachers' Retirement Fund and Cash Balance Fund
Schedule of Contributions from Employers
and Other Contributing Entities, Continued
June 30, 1998

The information presented in the required Supplementary Schedules 1 and 2 was determined as part of the actuarial valuations at June 30, 1997. Additional information is as follows:

	TRF	CB Fund
Actuarial Cost Method	Entry age normal	Traditional Unit Credit
Amortization Method	Level percent of payroll	Not applicable
Amortization Period	Open	Not applicable
Remaining Amortization Period	3 years	Not applicable
Asset Valuation Method	Expected value with 25% adjustment to market value	Market value of net assets
Actuarial Assumptions:		
Investment rate of return	8.0%	7.0%
Projected salary increases	5.5%	5.5%
Consumer price inflation	4.5%	4.5%
Post-retirement benefit increases	2.0% simple	Not applicable

The above assumptions for TRF were not changed from the previous actuarial valuation as of June 30, 1995. The CB Fund performed it's first actuarial valuation as of June 30, 1997.

STATE TEACHERS' RETIREMENT SYSTEM
Teachers' Retirement Fund
Schedule of Administrative Expenses
for the year ended June 30, 1998
(In Thousands)

Personal services:	
Salaries and wages	\$ 18,015
Staff benefits	5,432
Accrued vacations	(18)
	<u>23,429</u>
Operating expenses and equipment	
General expense	1,035
Depreciation expense	66
Printing	593
Communications	615
Postage	384
Insurance	10
Travel	175
Training	196
Facilities operations	2,468
Consultants and professional services	3,900
Consolidated data center:	
Consultants and professional services	1,476
Data processing:	
Consultant and professional services	2,557
Software and other	125
Central administrative services	1,016
Equipment	58
Other	4
	<u>14,678</u>
Total current year expenses that are budgeted	38,107
Past prior year expenses (recoveries)	<u>(1,768)</u>
Total	<u>\$ 36,339</u>
Fund sources:	
SBMA / administration expense	\$ 60
Reimbursements	474
Accrued vacation expense	(18)
Budget Act, Chapter 303, Statues 1995	(19)
Budget Act, Chapter 162, Statues 1996	(1,395)
Reappropriated Chapter 303, by Chapter 162/96	10
Reappropriated Chapter 162, by Chapter 282/97	1,121
Budget Act, Chapter 282, Statues 1997	<u>36,106</u>
Total funding	<u>\$ 36,339</u>

STATE TEACHERS' RETIREMENT SYSTEM**Schedule 4****Teachers' Retirement Fund****Schedule of Investment Expenses from Continuous Appropriation
for the year ended June 30, 1998****(In Thousands)****External equity managers:****Domestic:**

Barclays Global Investors	\$	338
Brown Capital Management Inc.		245
Denver Investment Advisor Inc.		840
NCM Capital Management Group Inc.		333
Oppenheimer Capital		502
Provident Investment Counsel		549
Sasco Capital, Inc		586

Total Domestic 3,393

International:

Bank of Ireland		1,731
Barclays Global Investors		1,027
Capital Guardian Trust		2,868
Chancellor LGT Capital Management		704
J P Morgan Investment Management		573
Lazard Freres Asset Management		1,394
Morgan Stanley		1,287
Oechsle International Advisors		1,745
Schroder Capital Management Investment, Ltd.		1,630
Scudder, Stevens & Clark		1,630
State Street Global Advisors		703

Total International 15,292

STATE TEACHERS' RETIREMENT SYSTEM

Schedule 4

Teachers' Retirement Fund

Schedule of Investment Expenses from Continuous Appropriation, Continued
for the year ended June 30, 1998

(In Thousands)

External equity managers, continued:

Global:

Baring International	\$ 3,064
Brinson Partners	1,912
Fiduciary Trust International	2,412
Trust Company of the West	44

Total Global	<u>7,432</u>
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Total External Equity Managers	<u>26,117</u>
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Real Estate Managers/Advisors:

AMB Institutional Reality Advisor Inc.	4,919
ERE Yarmouth	2,387
MIG Realty Advisors, Inc.	327
O'Connor Realty Advisor Inc.	751
SSR Realty Advisors	413
Trust Company of the West	1,576

Total Real Estate Managers/Advisors	<u>10,373</u>
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Advisors and Consultants:

AEW Capital Management, L.P.	100
Abbott Capital Management, L.P.	386
Thomas Flanigan, Inc.	110
Pathway Capital Management, L.L.C.	499
Pension Consulting Alliance	367
The Roulac Group	28
Real Desrochers	27

Total Advisors and Consultants	<u>1,517</u>
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STATE TEACHERS' RETIREMENT SYSTEM

Schedule 4

Teachers' Retirement Fund

Schedule of Investment Expenses from Continuous Appropriation, Continued
for the year ended June 30, 1998

(In Thousands)

Attorneys, Master Custodian and Insurers:	
Blank, Rome Comiskey and McCauley	\$ 6
Cox, Castle & Nicholson	19
Fulbright & Jaworski	2
Groom & Nordberg	89
Kanter Immigration Law Office	2
Near North Insurance Brokerage	245
Orrick, Herrington & Sutcliffe	3
Quateman & Zidell	1
State Street Bank & Trust Co.	<u>1,825</u>
Total Attorneys, Master Custodian and Insurers	<u>2,192</u>
Other Expenses:	
Cortex Applied Research, Inc.	106
Russell Reynolds, Inc.	5
State Controller's Office	24
Miscellaneous	157
Travel	<u>86</u>
Total Other Expenses	<u>378</u>
Total continuous appropriations	<u>\$ 40,577</u>

STATE TEACHERS' RETIREMENT SYSTEM
Teachers' Retirement Fund
Schedule of Consultant and Professional Services Expenses
for the year ended June 30, 1998
(In Thousands)

Schedule 5

<u>INDIVIDUAL OR FIRM</u>	<u>COMMISSION/ FEE</u>	<u>NATURE OF SERVICE</u>
Consulting and Professional Services:		
Alameda County Office of Education	\$ 72	Regional Counseling Services
Bay Brook Medical Group, Inc.	91	Disability Evaluation
Carole Nimietz, M. ED., CRC	19	Vocational Assessments and Reports
Contra Costa County Office of Education	70	Regional Counseling Services
Coopers & Lybrand	45	Auditing Services
Department of General Services	43	Hearing Office Charges
Department of Justice	239	General Services Legal Fees
Department of Personnel Administration	81	Legal Services
Fresno County Office of Education	57	Regional Counseling Services
Geary & Associates, Inc.	20	Vocational Assessments and Reports
Goldfarb & Associates	18	Vocational Assessments and Reports
Hogan & Hartson	150	Advocate & Legal Representation
JHME Advertising	26	Graphic Art Design
Kathleen M. Ogburn	18	Vocational Assessments and Reports
Kern County Superintendent of Schools	45	Regional Counseling Services
Liebman & Associates	66	Vocational Assessments and Reports
Linville Associates	20	Vocational Assessments and Reports
Los Angeles County of Education	52	Administrative Services
Los Angeles County Superintendent of Schools	467	Regional Counseling Services
Merced County Office of Education	13	Regional Counseling Services
Milliman & Robertson	25	Actuarial Services
Orange County Office of Education	123	Regional Counseling Services
San Bernardino County School District	126	Regional Counseling Services
San Diego Unified School District	160	Regional Counseling Services
San Joaquin County Office of Education	49	Regional Counseling Services
San Juan Unified School District	114	Regional Counseling Services
San Mateo-Foster City School District	93	Regional Counseling Services
Santa Barbara County Office of Education	52	Regional Counseling Services
Santa Clara County Office of Education	99	Regional Counseling Services
Santa Cruz County Office of Education	45	Regional Counseling Services
Shasta County Office of Education	53	Regional Counseling Services
Sonoma County Supt. of Schools	46	Regional Counseling Services
State Controllers Office	673	Various Financial Services
Superior Rehabilitation Services	36	Vocational Assessments and Reports
Towers, Perrin, Forester	40	Consulting Services
Travel/Tuition	68	Medical Reimbursement

STATE TEACHERS' RETIREMENT SYSTEM

Schedule 5

Teachers' Retirement Fund

**Schedule of Consultant and Professional Services Expenses, Continued
for the year ended June 30, 1998
(In Thousands)**

<u>INDIVIDUAL OR FIRM</u>	<u>COMMISSION/ FEE</u>	<u>NATURE OF SERVICE</u>
Consulting and Professional Services, continued:		
Tulare County Superintendent of Schools	17	Regional Counseling Services
Ventura County Superintendent of Schools	32	Regional Counseling Services
Volkoff, Brian	15	Computer Programming
Watson Wyatt Company	115	Actuarial Services
William M. Mercer	75	Consulting Services
Other	<u>232</u>	Various Services - each individual order was paid less than \$10,000 for the services provided
Total	<u>3,900</u>	
 Data Processing:		
Advanced Business Integrators	6	Data Processing
Clientele Software	4	Data Processing
Computer Resources Group	91	Data Processing
Enterprise Technology Solution	5	Data Processing
Entex Information Services	5	Data Processing
Nanran, Inc.	659	Data Processing
Quest Media & Supplies	1	Data Processing
Science Applications	123	Data Processing
SPL Worldgroup Consulting	1,122	Data Processing
Synergy Consulting, Inc.	379	Data Processing
Visionary Integration	<u>162</u>	Data Processing
	<u>2,557</u>	
Consolidated Data Center:		
Teale Data Center	1,464	Consolidated Data Center
HWDC	<u>12</u>	Consolidated Data Center
	<u>1,476</u>	
 Total Consultant and Professional Services Expenses	 \$ <u>7,933</u>	

STATE TEACHERS' RETIREMENT SYSTEM
Cash Balance Fund
Schedule of Administrative Expenses
for the year ended June 30, 1998
(In Thousands)

Personal services:	
Salaries and wages	\$ 96
Staff benefits	<u>29</u>
	<u>125</u>
Operating expenses and equipment:	
General expense	189
Printing	24
Consultant and professional services	51
Travel	7
Data Processing	<u>1</u>
	<u>272</u>
Total budgeted expenses	\$ <u>397</u>
Funding source:	
Budget Act, Chapter 592, Statues 1995	\$ <u>397</u>
Total funding	\$ <u>397</u>

STATE TEACHERS' RETIREMENT SYSTEM
Cash Balance Fund
Schedule of Consultant and Professional Services Expenses
for the year ended June 30, 1998
(In Thousands)

<u>Individual or Firm</u>	<u>Commision/ Fees</u>	<u>Nature of Service</u>
CSUS Foundation	\$ 2	Consulting Services
Milliman & Robertson	4	Actuarial Services
Watson Wyatt	<u>45</u>	Actuarial Services
Total	<u>\$ 51</u>	

STATE TEACHERS' RETIREMENT SYSTEM
403(b) Program
Schedule of Administrative Expenses
for the year ended June 30, 1998
(In Thousands)

State Street Bank administrative fees	\$ 145
Teachers' Retirement Fund sponsor fee	<u>10</u>
Total	<u>\$ 155</u>

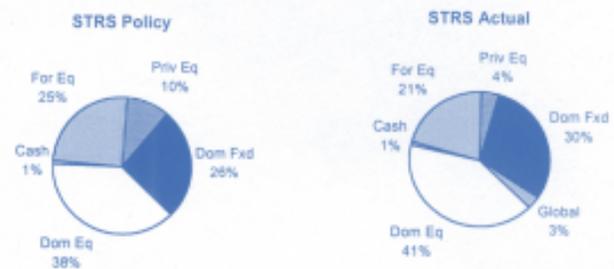
Investment Consultant's Report



The STRS investment portfolio grew by over \$13 billion during the past year reaching a value of over \$88 billion on June 30, 1998. As highlighted below, the STRS portfolio is broadly diversified, holding investments ranging from publicly-traded bonds to privately-held partnerships. Clearly, the scale and breadth of investments make the management and oversight of these assets highly complex. In light of these factors, STRS has been effective in using its resources in a cost-efficient manner to ensure that benefits continue to flow to STRS participants.

Investment Allocation

The most critical factor influencing overall investment performance is the allocation of the STRS portfolio across major asset classes. The fiscal year-end report reflects asset allocation guidelines adopted by STRS on July 1, 1997 (see left chart). The portfolio's actual allocation is modestly different from policy. Private equity and foreign equity are underweighted while domestic debt, global investments and domestic equity are overweighted (see right chart). STRS' asset allocation guidelines adopted on July 1, 1997 do not include the global asset class. These assets (\$2.6 billion) will be redeployed within Board adopted guidelines.

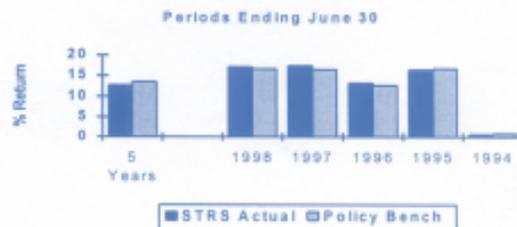


Investment Results

Over the last year, the STRS investment portfolio produced an overall return of 17.0% (top bar chart). This result trailed the STRS policy benchmark by 50 basis points.¹ As the bar chart shows, the fixed income portfolio added value relative to its benchmark while the equities portfolio trailed its benchmark over the latest year.



During the last three years, STRS' portfolio generated a 15.9% return versus 16.2% for the policy benchmark. Over the last five years, the STRS investment portfolio produced an average annual return of 12.7%, lagging the policy benchmark by 80 basis points (bottom chart). However, if examined on a fiscal year basis, STRS' performance has exceeded its benchmark in three of the last five years. This result is due, in part, to STRS eliminating deviations between actual asset class weightings and policy weightings.²



Pension Consulting Alliance, Inc.

¹ The policy benchmark consists of passive managed asset class portfolios weighted by STRS' policy allocations. The difference between actual results and the benchmark are due to two factors: i) deviations from policy and ii) active decisions on the part of STRS and its investment managers.

² STRS' investment performance is calculated using a monthly internal rate of return with day-weighted cash flows. Periods longer than one month are geometrically linked. This method of return calculation complies with AIMR performance presentation standards.



Investments

The market value of the STRS investment portfolio reached more than \$88 billion on June 30, 1998. This figure represents an increase of 18 percent and a dollar gain of more than \$13 billion in the last year. As was true last year, the domestic equity portfolio provided the majority of the gain, returning an increase of 28 percent. The fixed income portfolio clearly added value relative to its benchmark over the last year, returning a gain of 15 percent. That portfolio segment represented approximately 30 percent of the total investment portfolio and a dollar value of \$26 billion at the end of the fiscal year. Asset allocation remains the most important factor in investment performance. At the end of the fiscal year, the portfolio's allocation across

major asset classes was as follows: Equity-Domestic and International 62%; Fixed Income-Domestic 30%; Private Equity 4%; Global Asset Allocators 3% and Cash 1%.

STRS continues to stress long-term performance is more important to members than the transitory changes that may temporarily affect markets and countries. STRS continues to execute its policies, strategies and procedures for the long term.

Chart A, below, illustrates the correctness of the long-term approach by showing the growth in total investment portfolio, excluding securities lending collateral, from June 30, 1983 through June 30, 1998.

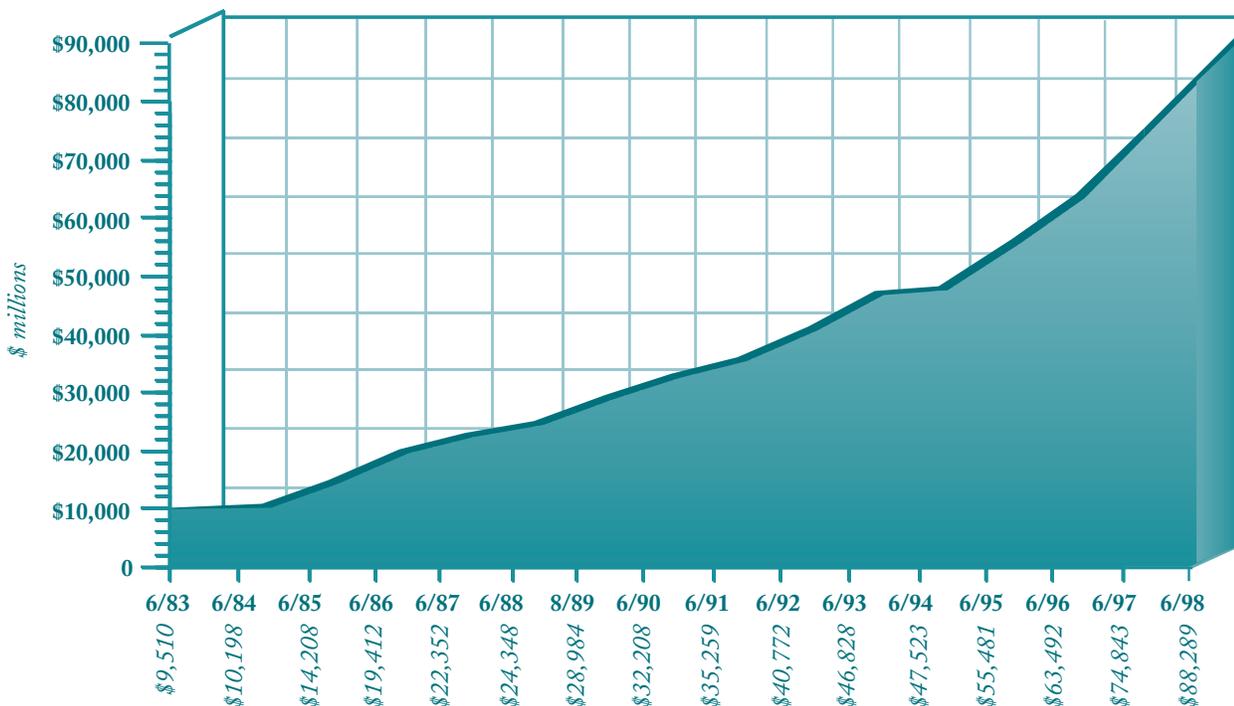


Chart A: Growth in total investments

STATE TEACHERS' RETIREMENT SYSTEM

Chart B contrasts STRS' returns against the actuarial rate, which is the long-term assumed rate of return for the fund. Chart C shows the performance returns for all of the major asset classes in the STRS portfolio and the benchmark indices. The calculations were prepared using a monthly internal rate of return with day-weighted cash flows. Periods longer than one month are geometrically linked

providing a time-weighted market value rate of return. This method of return

calculation complies with Association for Investment Management and Research performance presentation standards. These returns are displayed over 1-, 3-, 5- and 10-year periods.

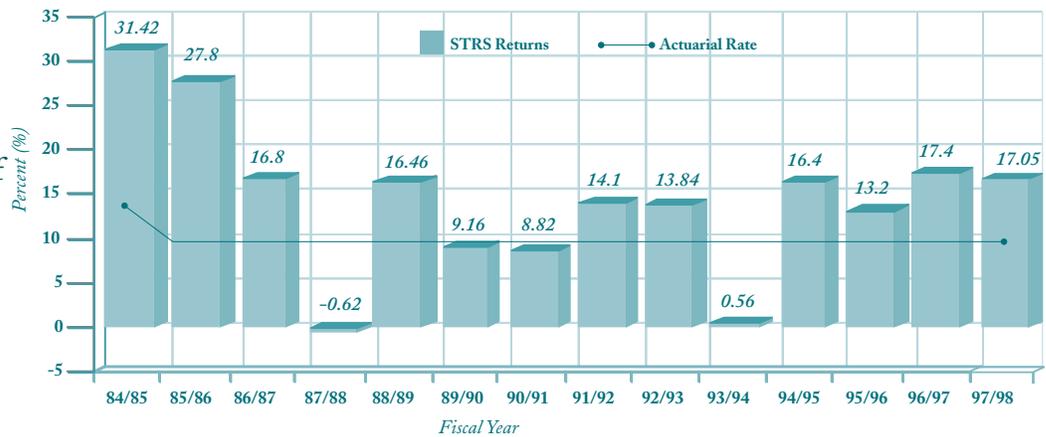


CHART B: Growth in STRS' returns

Portfolio Type/ Associated Indices	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund	17.05%	15.87%	12.74%	12.59%
Domestic Equity	27.77%	27.12%	20.63%	17.33%
RUSSELL 3000	28.81%	28.45%	21.74%	17.91%
WILSHIRE 5000	28.86%	28.13%	21.56%	17.61%
International Equity	0.75%	11.32%	10.57%	N/A
MSCI Europe, Australia, & Far East	6.10%	10.69%	10.03%	N/A
MSCI Emerging Market	-39.08%	-9.33%	0.44%	N/A
Fixed Income	15.06%	9.26%	8.19%	10.40%
Salomon Large Pension Fund	13.76%	9.03%	7.89%	10.28%
Global Asset Allocators	13.22%	14.55%	12.05%	N/A
MSCI World	17.03%	19.23%	15.64%	N/A
Salomon World Government Bond	4.32%	2.84%	6.33%	N/A
Real Estate	19.65%	13.78%	10.34%	4.86%
Institutional Property Consultants	15.07%	10.90%	8.58%	4.90%
Alternative Investments	36.67%	32.83%	25.73%	N/A
Consumer Price Index + 12% per annum	13.70%	14.24%	14.45%	N/A
Liquidity	6.19%	6.04%	5.58%	6.35%
Salomon 3-Month Treasury Bill	5.23%	5.31%	4.92%	5.55%

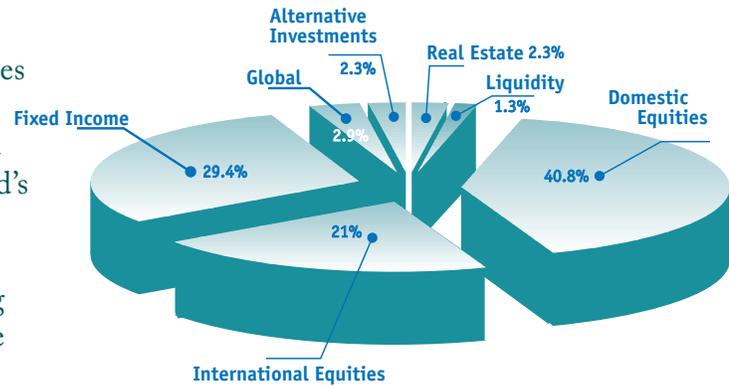
CHART C: Performance returns for major asset categories

**All the performance measurement calculations are conducted in accordance with the presentation standards of the Association for Investment Management and Research.*



Objectives

The objectives of the investment management plan have not changed, but there has been some refinement. Over the last year, there has been an increased focus on active management, including the recent hiring of several enhanced index managers. The newly adopted asset allocation guidelines do not include the tactical asset allocation category. This asset category was eliminated as a result of the Teachers' Retirement Board's periodic review and decision that certain incremental adjustments were appropriate. STRS continues its commitment to bringing the actual asset allocation percentages of the portfolio closer to the policy allocation and its commitment to the domestic and international segment, while reducing the commitment to the fixed income sector.



Asset allocation (6/30/98)

Total investment portfolio of \$88.3 billion

Fixed Income

Although STRS has persisted in its goal of gradually reducing the portfolio's overweighting in fixed income, it is important to note that this area of the portfolio performed exceedingly well over the most recent fiscal year. Last year, the STRS fixed income portfolio achieved a return of more than 15 percent compared to the Large Pension Fund Index (performance benchmark) return of 14 percent. As of June 30, 1998, the market value of the fixed income asset class was \$26 billion. This dollar amount translates into 30 percent of the total investment portfolio and is a reduction from the 34 percent portion it occupied last year at this time. Interest rates fell more than 1 percent over the last 12 months. These results provide positive proof of the importance of asset allocation, diversification and the consideration of prudent levels of risk. Over the last five years, the annualized total rate of return has measured more than 8 percent. This return has outperformed the LPF Index return by 30 basis points. The fixed income portfolio is invested in securities with the highest

quality ratings. Nearly 80 percent is invested in U.S. government or U.S. government-guaranteed securities. This ensures both liquidity and safety and greatly reduces the risk of default.

Liquidity

The cash or liquid asset segment of the portfolio closed the fiscal year at \$1 billion or just about 1 percent of the total investment portfolio. STRS' goal is to be fully invested at all times, as long as benefit payments and investment funding requirements are considered. The liquid asset portfolio is also heavily invested in the highest quality U.S. government and agency securities. The remainder of this portfolio is invested in investment-grade corporate securities and commercial paper.

External Equity Management

STRS' public equity portfolio remains its most important investment vehicle for growth. In fiscal year 1997–1998, the domestic equity portfolio generated nearly a

STATE TEACHERS' RETIREMENT SYSTEM

Issue	Maturity Date	Interest Rate	Par	Market Value	Average Cost	Unrealized Gain/(Loss)
US TREASURY	15-Nov-2015	9.88%	994,000,000	1,447,820,640	1,299,995,917	147,824,723
US TREASURY	15-Feb-2019	8.88%	915,000,000	1,260,266,100	907,272,993	352,993,107
US TREASURY	15-Feb-2016	9.25%	845,000,000	1,175,344,300	1,001,088,744	174,255,556
US TREASURY	15-May-2016	7.25%	950,700,000	1,113,802,092	994,739,086	119,063,006
US TREASURY	15-Feb-2020	8.50%	780,000,000	1,045,441,800	927,765,654	117,676,146
US TREASURY	15-Aug-2017	8.88%	715,000,000	974,745,200	769,072,744	205,672,456
US TREASURY	15-Nov-2016	7.50%	607,000,000	728,685,290	601,080,007	127,605,283
US TREASURY	15-Aug-2013	12.00%	472,375,000	700,371,518	628,953,592	71,417,926
US TREASURY	15-May-2017	8.75%	475,000,000	639,692,000	472,957,195	166,734,805
US TREASURY	15-Aug-2019	8.13%	448,000,000	578,197,760	459,702,261	118,495,499

CHART D: Largest fixed income holdings as of June 30, 1998 (STRS maintains a complete list of portfolio holdings.)

28 percent total rate of return. International equities returned less than 1 percent over this same time period. On a combined basis, the equity portfolio returned nearly 18 percent for this past year. This asset class had a market value of more than \$54 billion on June 30, 1998, and represented 62 percent of the total portfolio. As was true last year, the domestic equity portfolio outperformed the international segment. Over the last five years, the equity component has delivered nearly a 17 percent return. STRS continued to allocate more of the fund's assets to the equity segment over this past year and was rewarded in its belief that a higher allocation to this area, especially domestic equities, produces higher returns over the long term.

Incremental changes have been made in this segment of the portfolio as well. STRS will be increasing its commitment to the active style of equity management, effectively doubling both its dollar amount and the number of managers employed in this sector. Active management will continue to be done by external managers, while the passive sector will have a combination of internal and external management.

Internal Equity Management

During 1998, STRS augmented its investment strategies in the passively managed style of equity management by establishing an internally managed indexed portfolio. This unit was established as part of STRS' efforts to reduce the management fees associated with the portfolio. The portfolio did not begin operation until April 1, 1998, so it is somewhat early to compare results at this stage.



Alternative Investments

This fiscal year, STRS made additional commitments of nearly \$1 billion in this segment of the portfolio. Total commitments in this asset class now amount to \$4 billion or nearly 5 percent of the total portfolio. There are now 71 partnerships and two co-investments in the alternative investments portfolio. At the end of the fiscal year, the total market value was nearly \$2 billion, representing about 2 percent of the total STRS portfolio. STRS continued to increase its commitment in this area as a result of the allocation review it completed at the end of June, 1997. The alternative investment asset class has achieved annualized returns of 37, 33 and 26 percent, for the 1-, 3- and 5-year periods respectively.

Real Estate

Over the last fiscal year, STRS' portfolio of real estate assets reached \$2 billion. This dollar amount is represented by 41 directly owned properties and three privately owned partnerships. The real estate asset class represents slightly more than 2 percent of the

total portfolio. The direct property portfolio is diversified by property type and geographical location. The two largest components of this sector are office and industrial buildings, located in the western region of the United States. STRS' real estate portfolio has achieved annualized returns of 20, 14 and 10 percent, for the 1-, 3- and 5-year periods respectively.

Credit Enhancement

STRS has entered into agreements with a number of issuers of non-taxable debt to guarantee the payment of principal and interest for specified default events. To reduce risk while increasing incremental return, STRS is paid a fee over the term of the agreement. The majority of the transactions are supported by collateral or stand-by letters of credit from banks for repayment. As of June 30, 1998, the credit enhancement program had commitments of approximately \$489 million and fee income earned over the year was more than \$1 million.

Issue	Shares	Market Value	Average Cost	Unrealized Gain/(Loss)
GENERAL ELEC CO	9,053,806	823,896,346	215,386,273	608,510,073
MICROSOFT CORP	6,820,865	739,211,244	173,111,047	566,100,198
COCA COLA CO	6,862,412	586,736,226	151,602,543	435,133,683
EXXON CORP	6,810,495	485,673,425	202,898,970	282,774,455
MERCK + CO INC	3,321,251	444,217,321	117,148,215	327,069,107
PFIZER INC	3,610,227	392,386,547	103,274,730	289,111,817
WAL MART STORES INC	6,257,056	380,116,152	98,387,566	281,728,586
INTEL CORP	4,686,015	347,350,862	98,307,871	249,042,991
PROCTER + GAMBLE CO	3,722,019	338,936,355	96,344,159	242,592,196
ROYAL DUTCH PETE CO	5,949,622	326,113,656	197,252,393	128,861,263

CHART E: Largest equity holdings as of June 30, 1998

(STRS maintains a complete list of portfolio holdings)

Securities Lending

This year marks the 10-year anniversary of the securities lending program at STRS. Over the last fiscal year, STRS earned \$49 million from this activity. Since inception, the program has earned nearly \$240 million. The amount of income earned in this program is based upon the types of securities held, the volume of securities loaned and the level of risk taken in the reinvestment of the cash taken as collateral. In keeping with STRS' goal of increasing the efficiency and improving the cost structure of the portfolio, a portion of this program was managed internally for the first time in the 1997-98 fiscal year.

Home Loan Program

STRS began making 15- and 30-year fixed interest rate conventional home loans to members in 1986 as a result of the Dave Elder State Teachers' Retirement System Home Loan Act. The purpose of this legislation was to provide STRS with a mortgage-backed investment opportunity as well as an additional source of home financing for STRS members. Over the last fiscal year, the home loan program funded \$43 million in real estate loans. The last year's activity brings the total loans purchased to nearly \$2.4 billion. Norwest Mortgage and the Bank of America continue to be the primary lenders for STRS.

Corporate Governance

During the 1997-98 fiscal year, STRS voted on a variety of proxy issues including financial, corporate governance and social issues. More than 7,500 proxy issues were reviewed and analyzed on the 2,889 companies owned by STRS. As in previous years, STRS reviewed its portfolio of domestic and Canadian stocks and screened for relative underperformance. In the past year, a record number of mergers and acquisitions continued, as the generally rising market increased the value of the acquirer's

stock and made combinations attractive. The major proxy issues are summarized below:

1. Election of Directors

STRS generally votes in favor of directors unless there is a compelling reason not to cast a positive vote.

Number Voted: 2,656

For: 1,888

Against: 768

2. Auditors

This issue relating to hiring auditors was voted more than 1,600 times; all these issues received a favorable vote.

3. Compensation Plans

These are issues relating to the incentive plans offered to the top employees of corporations. STRS votes in favor of these plans as long as the incentive offered aligns shareholder interest with that of the management.

Number Voted: 1,176

For: 454

Against: 722

4. Corporate Actions/ Corporate Governance Issues

These are issues relating to mergers, acquisitions, stock issuance, stock splits and reincorporation. STRS generally votes in favor of these proposals unless there is a compelling reason not to cast a positive vote.

Number Voted : 592

For: 153

Against: 439



5. Shareholder Proposed Issues Social and Financial

These are shareholder-submitted issues and are reviewed generally on a case-by-case basis. Previously established policy and the expressed philosophy of the Teachers' Retirement Board are also important considerations.

Number Voted: 156

For: 109

Against: 47

6. Miscellaneous Issues from Both Shareholders and Management

These are reviewed on a case-by-case basis.

Number Voted: 536

For: 416

Against: 120

Portfolio Type	30-Jun-97		30-Jun-98		% of Market Value	Net Market Change
	Book Value	Market Value	Book Value	Market Value		
Domestic Equity	13,536	26,842	16,498	36,058	40.84%	9,216
International Equity	13,350	15,798	16,498	18,511	20.97%	2,713
Fixed Income	24,365	25,385	23,592	25,970	29.41%	585
Global Asset Allocations	1,976	2,283	2,172	2,586	2.93%	303
Alternative Investments	1,158	1,406	1,526	1,986	2.25%	580
Real Estate	2,116	1,945	1,934	2,062	2.34%	117
Liquidity	1,184	1,184	1,116	1,116	1.26%	(68)
Total Portfolio	57,685	74,843	63,336	88,289	100.00%	13,446
Plus: Securities Lending Collateral		18,648		16,996		
Less Accruals		311		376		
Plan Net Assets-Investments		93,180		104,909		

CHART F: Investment summary for the year ended June 30, 1998 (in millions)

	Assets Under Management	Fees	Basis Points
Investment Managers' Fees:			
Domestic Equity	\$36,058,515	\$3,392	0.94
International Equity Managers	18,511,419	15,293	8.26
Global Asset Allocation	2,586,153	7,432	28.74
Real Estate	2,061,521	10,373	50.32
Total Investment Managers' Fees	\$59,217,608	\$36,490	6.16

CHART G: Schedule of fees July 1, 1997 through June 30, 1998 (in thousands)

STATE TEACHERS' RETIREMENT SYSTEM

Broker Name	Commission	Shares	Commission per share
Domestic Equity Transactions			
INVESTMENT TECHNOLOGY GROUP INC.	611,351	22,711,163	0.027
GOLDMAN SACHS	429,648	18,476,291	0.023
CAPITAL INSTITUTIONAL SERVICES	403,420	6,741,205	0.060
INSTINET	266,204	13,130,670	0.020
MORGAN STANLEY + CO	193,130	4,255,666	0.045
CANTOR FITZGERALD + CO., INC.	192,653	3,982,467	0.048
BEAR STEARNS SECURITIES CORP	190,413	3,626,865	0.053
DONALDSON, LUFKIN + JENRETTE SECS	190,330	3,309,575	0.058
SMITH BARNEY INC.	188,659	4,401,856	0.043
LEWCO SECURITIES	180,328	3,125,798	0.058
OTHER DOMESTIC	3,109,132	66,054,509	0.047
Total Domestic	5,955,267	149,816,065	0.040
International Equity Transactions			
MORGAN STANLEY + CO	2,475,008	412,097,819	0.006
MERRILL LYNCH	1,943,630	124,394,910	0.016
GENA SECURITIES	1,234,579	543,166,445	0.002
HALL INTERNATIONAL PARTNERS	1,066,466	897,231,788	0.001
JAMES CAPEL + CO LTD	656,131	44,766,994	0.015
SALOMAN BROTHERS INC.	537,989	167,547,312	0.003
GOLDMAN SACHS	518,226	63,170,474	0.008
SWISS BANK CORP	449,430	19,179,135	0.023
UBS LIMITED	424,308	74,213,487	0.006
DRESDNER BANK	378,749	15,637,868	0.024
OTHER INTERNATIONAL	8,233,205	2,644,183,120	0.003
Total International	17,917,721	5,005,589,352	0.004

Chart H: Broker commissions (July 1, 1997 through June 30, 1998)

Cash Balance Fund

Cash Balance Fund contributions are invested at the direction of the Teachers' Retirement Board in internally pooled portfolios of the Teachers' Retirement Fund. The current allocation of these contributions calls for 60 percent to the S&P500 portfolio and 40 percent to the government index portfolio. The CBF has ownership of units of these pooled portfolios that reflect market fluctuations of underlying securities on a daily basis. Income and expenses are distributed to each pooled portfolio on a pro-rata basis determined by the number of units owned as a percentage of the total units of the portfolio.

Contributions to the CBF began on February 1, 1997. The investment value of those contributions as of June 30, 1998, was \$1.6 million. For both portfolios, the combined total return for the past year was 26.8 percent. Since inception these portfolios have achieved a return of 26.2 percent. These returns compare favorably with the one-year returns achieved on both benchmarks, the S&P500 and the Salomon Brothers Large Pension Fund-Treasury, at 30.3 percent and 17.5 percent respectively.



Defined Benefit Plan

Actuary's Certification Letter



November 16, 1998

Watson Wyatt & Company

Suite 700
15303 Ventura Boulevard
Sherman Oaks, CA 91403-3197
Telephone 818 906 2631
Fax 818 906 2097

Teachers' Retirement Board
California State Teachers' Retirement System

Dear Members of the Board:

The actuarial valuation report for the California State Teachers' Retirement System completed as of June 30, 1997, reveals that the Teacher Retirement System is an actuarially sound system based on current actuarial assumptions. We have determined that the projected income stream from the contributions mandated by the Education Code will be sufficient to pay the Normal Cost and to finance the Unfunded Actuarial Obligation over a period of three years.

Actuarial valuations are performed every two years. The previous valuation, as of June 30, 1995, indicated that the Unfunded Actuarial Obligation could be funded over a period of 18 years.

The valuation was based on financial and employee data received from the System and from the Report of Independent Accountants prepared by Coopers & Lybrand. Although we did not audit this data, we compared the data to that of prior years and tested for reasonableness. Based on these tests, we believe the data to be sufficiently accurate for purposes of our calculations.

Information presented in the following supporting tables included in this Actuarial Section of the 1998 Comprehensive Annual Financial Report are based on information found in our June 30, 1997 actuarial valuation report:

- Post-retirement mortality
- Probabilities of retirement
- Probabilities of withdrawal from active service
- Assumption for pay increases
- Economic assumptions
- Mortality assumptions
- Termination from disability
- Service retirement rates
- Disability rates
- Withdrawal rates
- Probability of refund
- Promotional salary increases
- Analysis of financial experience

Defined Benefit Plan Actuary's
Certification Letter *continued*



In addition, data for the fiscal year ending June 30, 1997 presented in Schedule 1, and the summary of actuarial methods and assumptions in Schedule 2 of the Financial Section, are based on information found in our valuation report.

The valuation was based on the actuarial assumptions derived from the 1995 Experience Study of the System, and adopted by the Board that same year. In our opinion, these assumptions and the underlying actuarial cost method are reasonable and appropriate. Note that the results of future valuations will differ from these results to the extent that actual experience differs from that projected by the assumptions.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board of the American Academy of Actuaries. The results also comply with the requirements of the California statutes and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries. Both are Fellows of the Society of Actuaries, Enrolled Actuaries, and Members of the American Academy of Actuaries, and both are experienced in performing valuations for large public retirement systems.

In conclusion, the California State Teachers' Retirement System is an actuarially sound system based on current actuarial assumptions.

Respectfully submitted,



Sharon A. Bronzwaer, FSA, EA, MAAA
Consulting Actuary



W. Michael Carter, FSA, EA, MAAA
Consulting Actuary



Summary of Actuarial Assumptions and Methods

STRS, through its consulting actuary, performs an experience study every four years to determine appropriate demographic and economic assumptions. These assumptions are then applied every two years when the consulting actuary performs an actuarial valuation to monitor the funding status of the Defined Benefit Plan. The most recent experience study was completed as of June 30, 1995. The study was adopted by the Teachers' Retirement Board in April 1996. The most recent actuarial valuation was completed as of June 30, 1997, and adopted by the Teachers' Retirement Board in March 1998.

Following are the assumptions adopted by the Teachers' Retirement Board in April 1996.

- Investment return rate is 8.00 percent.
- Method used to value plan assets for actuarial valuation purposes: Expected actuarial value adjusted for 25 percent of the difference between actual market value and expected actuarial value.
- Current assumptions and methods were adopted by the Teachers' Retirement Board based on recommendations made by the consulting actuary in the 1991–95 experience study, which was completed as of June 30, 1995.
- Assumption for general wage increase because of inflation is 5.5 percent of which 4.5 percent is due to inflation and 1.0 percent is due to expected gains in productivity.

AGE	MALE	FEMALE
50	0.28%	0.15%
55	0.48	0.23
60	0.71	0.38
65	1.11	0.64
70	1.98	1.09
75	3.34	2.11
80	5.48	3.85
85	8.93	6.38
90	13.39	10.14
95	19.05	16.51
	1983 GAM (-3)	1983 GAM (-1)

Table #1: Post-retirement mortality table for sample ages

STATE TEACHERS' RETIREMENT SYSTEM

AGE	MALE	FEMALE
55	6.3%	6.8%
60	26.1	19.8
65	28.3	24.6
70	100.0	100.0

Table #2: Probabilities of retirement for sample ages

DURATION	ALL MALES	ENTRY AGES—FEMALE			
		27	32	37	42
1	14.8%	14.8%	14.8%	14.8%	14.8%
2	8.8	8.8	8.6	7.7	6.6
3	6.8	7.7	6.8	5.4	5.1
4	5.8	6.8	5.8	4.4	4.3
5	5.0	5.9	5.0	3.8	3.6
10	2.5	2.5	2.2	1.9	1.6
15	1.3	1.2	1.2	1.2	
20	0.8	0.9	0.9		
25	0.5	0.8			

Table #3: Probabilities of withdrawal from active service before age and service retirement for sample ages

- The actuarial cost method used by the plan is the entry age normal actuarial cost method, with actuarial gains and losses amortized over the remaining period required for the amortization of the unfunded actuarial obligation.
- The assumptions on this and the preceding page were adopted April 11, 1996, by the Teachers' Retirement Board.
- The extent to which benefits are expected to increase as a result of cost-of-living type adjustments is set in statute at a 2 percent simple increase provided annually beginning on September 1 following the first anniversary of the effective date of the allowance. Since 1971, this increase is applied to all eligible continuing allowances and is a provision of Part 13 of the Education Code, which governs the plan.

DURATION	ENTRY AGES			
	27	32	37	42
MALE				
1	8.0%	9.5%	9.8%	8.9%
10	3.6	2.6	1.9	2.0
20	1.1	0.7	0.7	0.4
30	0.7	0.6	0.7	0.4
FEMALE				
1	7.2	7.7	8.5	5.4
10	3.1	2.5	2.7	2.6
20	0.7	0.6	0.9	1.0
30	0.3	0.4	0.5	0.6

Table #4: Assumption for pay increases due to promotions and longevity for sample ages (exclusive of the assumed general wage increase, which includes inflation)



- The last study of the plan’s actual experience was completed by the consulting actuary on March 25, 1996 (as of June 30, 1995) and adopted by the Teachers’ Retirement Board April 11, 1996. All assumptions used in the subsequent actuarial valuation were provided by that experience study. The most recent actuarial valuation of the plan was completed February 26, 1998 (as of June 30, 1997) and adopted by the Teachers’ Retirement Board March 5, 1998.

Actuarial assumptions—The economic and demographic actuarial assumptions for this plan have not changed since the last experience study or valuation was completed. The following assumptions were used to complete the last two valuations for this plan.

Because the economic assumptions were not changed for the most recent actuarial valuation, as of June 30, 1997, there was no net change to the unfunded actuarial obligation based on these assumptions.

Discussion of recent changes in:

The nature of the plan—The nature of this plan has not materially changed since the last experience study or valuation was completed.

Consumer Price Inflation	4.50%
Investment Yield	8.00%
Wage Inflation	5.50%
Interest on Member Accounts	6.00%
Growth in Active Membership	0.00%
Administrative Expenses	0.25%*

Table #5: Economic assumptions

**Percent of payroll*

STATE TEACHERS' RETIREMENT SYSTEM

Retired Members	-Male -Female	1983 GAM-M(-3) 1983 GAM-F(-1)
Active Members	-Male -Female	1983 GAM-M(-5) 1983 GAM-F(-3)
Beneficiaries	-Male -Female	1983 GAM-M(-3) 1983 GAM-F(-1)
Pre-1972 Disabilities	-Male -Female	1951 GAM-M(-1) 1951 GAM-F(-8)

Table #6: Mortality assumptions

Male	1983 GAM-M (Minimum 3.5%)
Female	1983 GAM-F (Minimum 2.2%)

Table #7: Termination from disability

Number of Disabilities	
Coverage A	
-Male	283
-Female	555
Coverage B	
-Male	239
-Female	560
Rate of Disability (sample Ages)	
Coverage A	
-Male	
32	0.04%
42	0.09
52	0.18
-Female	
32	0.05%
42	0.10
52	0.20
Coverage B	
Entry age under 40	
-Male	
32	0.10%
42	0.14
52	0.21
62	0.42

Table #9: Disability

MALE	
55	6.3%
60	26.1%
65	28.3%
70	100.0%
Number	11,015
FEMALE	
55	6.8%
60	19.8%
65	24.6%
70	100.0%
Number	15,330

Table #8: Service retirement (sample ages)

-Female		
32		0.03%
42		0.10
52		0.26
62		0.41
Entry age 42		
-Male		
52		0.40%
57		0.50
62		0.70
-Female		
52		0.40%
57		0.50
62		0.70
Entry age 47 & Over		
-Male		
52		0.65%
57		0.95
62		1.25
-Female		
52		0.50%
57		0.70
62		1.10



Total Number of Terminations–

- Male	10,824
- Female	26,595

Rates of Termination by Sample Durations of Membership and Sample Entry Ages–

DURATION	SAMPLE ENTRY AGES			
	27	32	37	42
MALE				
1	14.8%	14.8%	14.8%	14.8%
2	8.8	8.8	8.8	8.8
3	6.8	6.8	6.8	6.8
4	5.8	5.8	5.8	5.8
5	5.0	5.0	5.0	5.0
10	2.5	2.5	2.5	2.5
15	1.3	1.3	1.3	
20	0.8	0.8		
25	0.5			
FEMALE				
1	14.8%	14.8%	14.8%	14.8%
2	8.8	8.6	7.7	6.6
3	7.7	6.8	5.4	5.1
4	6.8	5.8	4.4	4.3
5	5.9	5.0	3.8	3.6
10	2.5	2.2	1.9	1.6
15	1.2	1.2	1.2	
20	0.9	0.9		
25	0.8			

Probability of Refund by Sample Durations of Membership and Sample Entry Ages–

DURATION	SAMPLE ENTRY AGES			
	27	32	37	42
MALE				
Under 5	100%	100%	100%	100%
10	60	50	50	45
15	50	45	45	
20	40	40		
25	30			
FEMALE				
Under 5	100%	100%	100%	100%
10	40	40	40	35
15	35	35	35	
20	30	25		
25	20			

Table #10: Withdrawal all terminations

Future service credits are determined by using individual records and projecting future service credits for each member based on that member's actual service credit earned in the prior year.

DURATION	SAMPLE ENTRY AGES			
	27	32	37	42
MALE				
1	8.0%	9.5%	9.8%	8.9%
10	3.6	2.6	1.9	2.0
20	1.1	0.7	0.7	0.4
30	0.7	0.6	0.7	0.4
FEMALE				
1	7.2	7.7	8.5	5.4
10	3.1	2.5	2.7	2.6
20	0.7	0.6	0.9	1.0
30	0.3	0.4	0.5	0.6

Table #11: Promotional salary increases

(assumption for salaries due to promotions and longevity, exclusive of the assumed general wage increase)

Because the demographic assumptions were not changed for the most recent actuarial valuation, as of June 30, 1997, there was no net change to the unfunded actuarial obligation based on those assumptions.

Actuarial methods

- Actuarial Cost Method Entry age normal actuarial cost method

- Asset Valuation Method Expected value with 25 percent adjustment to market value

Because the actuarial methods were not changed for the most recent actuarial valuation, as of June 30, 1997, there was no net change to the unfunded actuarial obligation based on these assumptions.



STRS contracts for all actuarial services. The current contractor, Watson Wyatt & Company, has been the system’s actuary since October 1, 1997. This firm completed its first actuarial valuation for the plan as of June 30, 1997. In that actuarial valuation, the actuary’s methods resulted in an estimated net decrease in the unfunded actuarial obligation of \$1.075 billion. This decrease is due to the explicit valuation of certain liabilities that had been estimated by the prior actuary.

There are no other specific assumptions that have a material impact on valuation results for this plan.

The data displayed in Table 12 is as of June 30 of the specified year. Other information, specifically annual payroll amounts, reported in the financial section of this report will generally not be consistent. The reason for this is that the financial data reflects payroll for all individuals who were active during the year, while Table 12 only includes those individuals who are active as of June 30. It does not include those individuals who were active at some point during the year but not as of June 30.

Amounts provided in Table 13 represent the status of the population as of June 30 of the indicated year. The information provided in the Removed From Rolls and Rolls End of Year columns include the application of the annual post-retirement 2 percent simple cost-of-living adjustment.

Date (As of 6-30)	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
1993	313,617	\$11,712,337,653	\$37,346	-.5%
1994	319,176	11,978,064,140	37,528	.5
1995	327,513	12,411,264,262	37,895	1.0
1996	336,725	12,994,673,531	38,591	1.8
1997	364,000	14,371,068,403	39,481	2.3
1998	385,530	15,725,658,541	40,790	3.3

Table #12: Schedule of active member valuation data

Date (as of June 30)	Added to Rolls		Removed from Rolls		Rolls-End of Year		% Increase in Annual Allowances	Average Annual Allowances
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances		
1993	8,155	\$196,511	3,779	\$41,142	136,987	\$2,074,643	10.4%	\$15,145
1994	7,787	186,556	4,395	48,919	141,873	2,256,581	8.8	15,906
1995	7,863	185,022	4,351	51,817	146,805	2,438,513	8.1	16,611
1996	7,737	186,916	4,642	55,635	150,805	2,621,422	7.5	17,383
1997	6,672	163,744	4,717	59,864	153,639	2,781,406	6.1	18,104
1998	7,807	204,201	4,725	63,424	154,531	2,953,913	6.2	19,115

Table #13: Schedule of retired members and beneficiaries added to and removed from rolls (\$ thousands)

STATE TEACHERS' RETIREMENT SYSTEM

The data provided for each year-end in Table 13 is a snapshot of the population taken following year-end closing for the indicated period. It is likely adjustments will be made subsequent to this closing. No attempt is made to update the data in Table 13 for these adjustments.

Because of the potential for post-closing adjustments that are not updated in Table 13, and for post-retirement adjustments that are included in the individual accounts rather than separately maintained, any update of a prior end of year total using additions and deletions from the next year most likely will not equal the total provided for the next year.

An experience analysis was performed for STRS in 1991 and again in 1995. As a result of the performance of these studies, minor changes were made to the actuarial assumptions and to the funding methods. No significant plan changes have taken place during the period of time depicted in Table 14.

The most recent actuarial valuation of the system (as of June 30, 1997) projects the current level percent of payroll financing

provided in statute will amortize the unfunded actuarial obligation over a period of three years. The prior actuarial valuation (as of June 30, 1995) stated amortization of the unfunded actuarial obligation would occur at 18 years. Theoretically, the June 30, 1997 actuarial valuation should have shown a remaining amortization period of 16 years. The significant reduction of this amortization period to three years is mainly the result of favorable investment returns (\$3.239 billion) over the period since the prior actuarial valuation was performed. Other contributing factors were (1) liability gains associated with actual experience not meeting assumptions (\$1.692 billion), (2) methodology changes directly associated with the new actuarial firm (\$1.075 billion) and (3) actual contributions that were different than were assumed (\$0.354 billion).

Actuarial valuations are performed every two years to analyze the sufficiency of the statutory contributions to meet the current and future obligations of the plan. By using the actuarial methods and assumptions adopted by the Teachers' Retirement Board, the actuarial valuation provides the best estimate of the plan's long-term financing.

Aggregate Accrued Liabilities For

*Valuation Date (as of 6-30)	(1)	(2)	(3)	Actuarial Value of Assets	Funding of Liabilities		
	Active Member Contributions On Deposit	Future Benefits to Benefit Recipients	Service Already Rendered by Active Members		(1)	(2)	(3)
1991	\$10,998	\$16,984	\$19,118	\$36,001	100.0%	100.0%	41.9%
1993	12,831	20,930	19,820	45,212	100.0%	100.0%	57.8%
1995	14,478	25,416	23,497	55,207	100.0%	100.0%	65.2%
1997	18,451	29,127	22,274	67,980	100.0%	100.0%	91.6%

Table #14: Solvency test (\$ millions)

* No actuarial report is prepared in even-numbered years.

No estimation using actuarial methodology is made in years between valuations.



Comparing the unfunded actuarial obligation as of two valuation dates does not provide enough information to determine if there were actuarial gains or losses. The correct comparison is between the unfunded actuarial obligation on the valuation date and the expected unfunded actuarial obligation projected from the prior valuation date using the actuarial assumptions in effect for the two-year period.

Table 15 shows the unfunded actuarial obligation and the elements to project that figure forward two years: the normal cost, less contributions assumed to be collected, plus a charge for interest at the assumed rate.

Actuarial gains reduce the unfunded actuarial obligation as of the valuation date, and actuarial losses increase the unfunded actuarial obligation. Most actuarial gains and losses are a result of short-term fluctuations in experience or changes in actuarial assumptions. Because of the long-term nature of

actuarial assumptions, future patterns of emerging experience may offset these short-term fluctuations.

Independent actuarial review

Actuarial services for the State Teachers' Retirement System are provided, under contract, by a qualified independent actuarial firm. STRS does not retain an actuary on-staff.

The work performed for STRS by the independent actuarial firm is subject to periodic audit by the Bureau of State Audits. Also, through the competitive acquisition process, the work of a prior actuary will be verified in a subsequent actuarial valuation performed by a new contract actuary. Should the same actuarial firm continue for a period of 10 years, provisions are made for an independent review of that firm's work through an actuarial audit completed by another firm. These audit services are acquired using the competitive acquisition process.

<i>Gains and Losses in Unfunded Actuarial Obligation Resulting from Differences Between Assumed and Actual Experience (\$Millions)</i>	Actuarial Valuation as of June 30:	
	1997	1995
Unfunded Actuarial Obligation at June 30:	\$8.184 (1995)	\$8.369 (1993)
Expected Increases & Decreases		
Normal Cost	4.313	4.332
Expected contributions	(5.529)	(5.231)
Interest	1.264	1.406
Expected net Increases & Decreases	\$ 0.048	\$ 0.507
Expected Unfunded Actuarial Obligation at June 30:	\$8.232 (1997)	\$8.876 (1995)
Actuarial Gains & (Losses)		
Change in Methods	1.075	2.178
Change in Economic Assumptions	0	(0.969)
Change in Demographic Assumptions	0	(2.201)
Investment Return Assumption	3.239	0.828
Wage Increase Assumption	0	0
Contribution Assumption	0.354	0.474
Net Change Other Sources	1.692	0.382
Net Actuarial (Gains) & Losses	\$ (6.360)	\$ 0.692
Unfunded Actuarial Obligation at June 30:	\$ 1.872 (1997)	\$ 8.184 (1995)

Table #15: Analysis of financial experience

Past actuarial work performed for STRS has been found to be in compliance with actuarial standards of practice, and to be of the highest quality.

The current actuarial consultant replaced the prior consultant on October 1, 1997 as a result of the competitive acquisition process. The first major task of the new consultant was to complete the actuarial valuation as of June 30, 1997. To accomplish this required the new consultant to first recreate the result of the prior actuarial valuation as of June 30, 1995 to establish a baseline. Recreating the prior result provided an audit of that result and allowed the opportunity for the new consultant to ensure it understood the provisions of the plan and agreed with the in-place assumptions for the actuarial valuation to be completed. The result of this effort validated the previous actuarial valuation.

Summary of Defined Benefit Plan Provisions

Service Retirement

Eligibility

Age 60 with five years of credited California service.

Benefit Formula

Two percent of final compensation for each year of credited service at age 60. (Final compensation is the average salary earnable for the highest three consecutive years of credited California service.)

Exceptions:

- 1) For an eligible classroom teacher who retires after June 30, 1990, final compensation may be the highest annual compensation earnable during any period of 12

consecutive months while a member of the plan. This provision only applies to a qualified classroom teacher, as defined, who is employed by an employer who has entered into a written agreement with the exclusive employee representative to make this provision applicable.

- 2) Effective January 1, 1994, final compensation may be the highest average annual compensation earnable during ANY three "non-consecutive" years (one year is a period of 12 consecutive months) of membership in the plan. This alternative is available ONLY to a member whose salary has been reduced because of a reduction in school funds.

Internal Revenue Code Section 415

Benefits are subject to limits imposed under Internal Revenue Code Section 415.

Exception: Benefits based upon plan provisions in effect as of October 14, 1987, which are payable to members with membership effective dates prior to January 1, 1990, are not subject to IRC Section 415 limits.

Early Retirement

Eligibility

Age 55 with five years credited California service. A 1/2 percent reduction is made in the normal retirement allowance for each full month or partial month the member is younger than age 60.

30 and Out

Age 50 with 30 years of credited California service. The standard (1/2 percent) early retirement reduction is applied from 60 to age 55 and a 1/4 percent reduction is made for each full or partial month the member is younger than age 55.



Limited-Term Reduction

Age 55 and under age 60 with five years of credited California service. Under this alternative, a reduced allowance is paid that will equal 1/2 the normal retirement allowance at age 60. The reduced allowance continues until the amount paid after age 60 equals the amount paid prior to age 60. Thereafter, the normal retirement allowance would be paid.

Two Years Additional Service Credit Golden Handshake

For members who qualify for retirement, there is a special program which provides for an additional two years of service credit if authorized and funded by individual employers. This program was effective through December 31, 1993, then resumed on March 15, 1994, with modifications and remains in effect through December 31, 1998.

Retirement After Normal Retirement Age

Members continue to earn additional service credit after age 60, but there is no increase in the 2 percent benefit factor.

Deferred Retirement

Any time after satisfying the minimum service requirement, a member may cease active service, leave the accumulated retirement contributions on deposit, and later retire upon attaining the minimum age requirement and filing an application to retire. No formal election is required to defer retirement; however, a formal application must be made to the system in order to retire.

Mandatory Retirement

The plan does NOT have any mandatory retirement provisions. However, federal law requires that a minimum distribution of retirement benefits begins no later than April 1 of the calendar year following the calendar year

in which a member reaches age 70-1/2 if the member has not retired and is no longer performing creditable service subject to coverage by the plan or is no longer employed in a position requiring or permitting membership in another California public retirement system. STRS established a program under Teachers' Retirement Law provisions to meet the federal minimum distribution requirements.

Sick Leave Service Credit

Service credit is granted for unused sick leave at the time of retirement. New members on and after July 1, 1980, or any members who refund and return to membership on or after July 1, 1980, will not receive credit for sick leave. Retired members who reinstate on or after July 1, 1980, will not receive service credit at a subsequent retirement for unused sick leave accrued after reinstatement.

Pre-Retirement Election of an Option

Any member who is eligible for service retirement may make a pre-retirement election to receive a modified joint and survivor allowance payable at retirement in place of the unmodified allowance. If the member dies prior to retirement, the option beneficiary will receive a lifetime allowance based on the option selected. This election is available for those members who, at age 55, do not wish to retire, but want to ensure a monthly lifetime income to a beneficiary in the event death occurs prior to retirement. However, the pre-retirement election makes the member ineligible for a family or survivor benefit allowance unless the election is canceled prior to death. (The options are defined in the Plan Summary Definitions Section).

Post-Retirement Adjustment

Benefit Improvement Factor

There is a 2 percent simple increase on each September 1 following the first anniversary of the effective date of the allowance (the date on which the monthly allowance began to accrue). The annual 2 percent increase is applied to ALL continuing allowances.

Supplemental Increase

Revenue from the State General Fund and School Lands restored purchasing power to a minimum of 75 percent of a benefit recipient's initial allowance beginning January 1, 1998. These supplemental payments are not vested, and are subject to availability of funding.

Post-Retirement Earnings Limitation

STRS has no limitation on earnings outside the California public school system. There is a fiscal year limitation on earnings from creditable service within the California public school system. The allowance of a member retired for service will be reduced by the amount of any earnings in excess of the limitation, up to a member's annual allowance amount. Effective July 1, 1997, the limit was increased to \$18,300. The initial earnings limitation of \$15,000 is increased each July 1 by 100 percent of the annual increase in the All Urban California Consumer Price Index, using December 1989 as the base.

Disability Allowance— Coverage A

Eligibility

Age Limit: Under age 60.

Service Credit: Minimum of five years.

Employment Status: May apply for disability allowance while still employed.

Benefit Formula

Allowance

Fifty percent of final compensation

or

Five percent of final compensation for each year of service credit if over age 45 with less than 10 years of service credit.

plus

Children's Benefits

Ten percent of final compensation for each eligible dependent child, up to a maximum of 40 percent of final compensation. The increment for each eligible child continues until the child attains age 22.

Pre-Retirement Election of an Option

Any member receiving a disability allowance who is eligible to retire may make a pre-retirement election to receive a modified joint and survivor allowance payable at retirement in place of the unmodified allowance. If the member dies prior to retirement, the option beneficiary will receive a lifetime allowance based on the option selected. The pre-retirement election makes the member's survivor ineligible for the family allowance unless the election is canceled prior to the member's death.

Offsets

Allowance, including children's increments, will be reduced by an amount equal to any benefits payable for the same disability under other public systems.

Employment

May be employed in a position to perform creditable service subject to coverage by the plan, or any other employment, subject to limitations.



Earnings Limit

In a single month, the disability allowance (less amounts payable for children) plus employment earnings may not exceed 100 percent of indexed final compensation.

or

For a six-month period, average earnings may not exceed 66-2/3 percent of indexed final compensation.

Conversion To Service Retirement

Allowance is payable for duration of disability or until conversion to a service retirement allowance at normal retirement age. A member's allowance is based on the projected final compensation and projected service to normal retirement age; however, the service retirement allowance may not exceed the terminated disability allowance.

Death Benefit

A \$5,227 lump-sum death payment is payable to the designated beneficiary upon the death of the disabled member. The amount of the death payment may be adjusted by the Teachers' Retirement Board following each actuarial valuation based on changes to the All Urban California Consumer Price Index.

plus

If the member has not elected a pre-retirement option, a family allowance is payable to the surviving spouse who has children eligible for a children's benefit.

or

If there are no eligible children, the spouse may elect to take a lump-sum refund of the contributions and interest remaining in the member's account or receive an Option 3 beneficiary allowance at age 60, or immediately with a reduction based on the member's and spouse's ages at the time the benefit begins.

Disability Retirement — Coverage B

Eligibility

Age Limit: None.

Service Credit: Minimum of five years.

Employment Status: May apply for disability retirement while still employed.

Benefit Formula

Allowance

Fifty percent of final compensation regardless of age and service credit.

plus

Children's Benefits

Ten percent of final compensation for each eligible dependent child, up to a maximum of 40 percent of final compensation. The increment for each eligible child continues until the child attains age 21, regardless of student, marital or employment status.

Option Election

May elect a joint and survivor option upon application for a disability retirement.

Offsets

Allowance (less amounts payable for children) will be reduced by an amount equal to any benefit payable for the same disability under a Workers' Compensation program.

Employment

May be employed to perform creditable service or any other employment but can not make contributions to the Teachers' Retirement Fund or accrue service credit based on earnings from any employment.

Earnings Limit

There is a calendar year limitation on earnings from all employment. The allowance of a member retired for disability will be reduced by the amount of any earnings in excess of the limitation. Effective July 1, 1997, the limit was increased to \$18,300. The initial earnings limitation of \$15,000 is adjusted each July 1 by 100 percent of the annual increase in the All Urban California Consumer Price Index, using December 1989 as the base.

Conversion to Service Retirement

No conversion; allowance is payable for the duration of the disability.

Death Benefit

A \$5,227 lump-sum death payment is payable to the designated beneficiary upon the death of the disabled member. The amount of the death payment may be adjusted by the Teachers' Retirement Board following each actuarial valuation based on changes to the All Urban California Consumer Price Index.

plus

If an option was selected at the time of disability retirement, a lifetime allowance is payable to the option beneficiary.

or

If no option was selected, a lump-sum refund of any remaining contributions and interest in the member's account is payable to the eligible beneficiary.

Family Allowance—Coverage A Eligibility

Status: Member was actively employed or receiving a disability allowance at the time of death and had not elected a pre-retirement election of an option.

Service Credit: One or more years.

Lump-Sum Death Payment

A \$5,227 lump-sum death payment is payable to the designated beneficiary upon the death of the member. The amount of the death payment may be adjusted by the Teachers' Retirement Board following each actuarial valuation based on changes to the All Urban California Consumer Price Index.

Basic Benefit

When there are eligible children, a family allowance will be paid. If there are no eligible children, the spouse may elect to receive an Option 3 beneficiary allowance at age 60 or immediately with a reduction based on the member's and spouse's ages at the time the benefit begins or take a lump-sum refund of the remaining contributions and interest in the member's account.

Surviving Spouse

Eligibility

Married to the member for at least one year on the date of death.

Allowance

The surviving spouse with eligible children would receive 40 percent of the member's final compensation for as long as there is at least one eligible child.

An additional 10 percent of final compensation is payable for each eligible child, up to a maximum benefit of 50 percent for the children's increment.

To be eligible, dependent children must be unmarried and under age 22.

When there are no eligible children, the spouse may elect to receive an Option 3 beneficiary allowance or take a lump-sum refund of the remaining contributions and interest in the member's account.



If there is no surviving spouse, an allowance of 10 percent of the member's final compensation is payable to each eligible child up to a maximum of 50 percent of final compensation.

If there is neither a surviving spouse nor a dependent child, the member's dependent parents may elect to receive an Option 3 beneficiary allowance at age 60 or over, or take a lump-sum refund of the remaining contributions and interest in the member's account.

Contributions and Interest

If there is no surviving spouse, eligible children, or dependent parent, the contributions and interest are paid to the designated beneficiary.

Death Benefit for Retired Members

Designated beneficiaries of STRS retired members receive a \$5,227 lump-sum death payment. The amount of the death payment may be adjusted by the Teachers' Retirement Board following each actuarial valuation based on changes to the All Urban California Consumer Price Index.

Survivor Benefits—Coverage B Eligibility

Status: Member was actively employed at the time of death and had not elected a pre-retirement election of an option.

Service Credit: One or more years.

Lump-Sum Death Payment

A \$20,908 lump-sum death payment is payable to the designated beneficiary if the member had one or more years of credited service. The amount of the death payment may be adjusted by the Teachers' Retirement Board following each actuarial valuation based on changes to the All Urban California Consumer Price Index.

Basic Benefit

The surviving spouse may elect to receive a monthly allowance or take a lump-sum of the contributions and interest in the member's account.

Surviving Spouse

Eligibility

Married to the member for at least one year on the date of death.

Allowance

If the surviving spouse elects not to take a lump-sum refund of the contributions and interest in the member's account, the surviving spouse would receive one half of the member's Option 3 allowance, beginning on the member's 60th birthday, or immediately with a reduction based on the member's and spouse's age at the time the benefit begins. There is no dependent child requirement.

If the surviving spouse elects a monthly allowance, each eligible dependent child would receive 10 percent of the member's final compensation with a maximum benefit of 50 percent. The benefit is dependent upon the spouse electing a monthly allowance.

To be eligible, dependent children must be under age 21. Student, marital or employment status will not terminate the benefit.

If there is no surviving spouse, no children's benefits are payable.

Contributions and Interest

If there is no surviving spouse, the contributions and interest are paid to the member's designated beneficiary.

Death Benefit for Retired Members

Designated beneficiaries of STRS retired members receive a \$5,227 lump-sum death payment. The amount of the death payment may be adjusted by the Teachers' Retirement Board following each actuarial valuation based on changes to the All Urban California Consumer Price Index.

Social Security

The plan is not integrated with, coordinated with, or supplemented by the federal Social Security Program.

Termination of Membership

After termination of employment, a member may request a refund of contributions and interest as credited to the member's account to date of withdrawal.

A refund terminates membership in and all rights to future benefits from the plan.

Re-Entry into Plan After Refund

Individuals who have received a refund, and who subsequently become members of the plan, may redeposit all contributions and interest previously refunded. In addition, regular interest from the date of the refund through final date of payment must be paid in order to be credited with the related service. The member must, however, earn at least one year of credited service after re-entry before becoming eligible for any benefits from the plan.

Funding

Teachers Contribution:

Eight percent of salary.

Employers Contribution:

Eight percent of the total of the salaries on which the members contributions are based

plus

0.25 percent of salary to pay costs related to unused sick leave service credit (effective July 1, 1986).

plus

0.307 percent of salary covers the cost of ad hoc benefit adjustments (effective January 1, 1980).

State Contribution:

The state's quarterly contribution to STRS, commencing October 1, 1991, is set at 1.075 percent of the total of the salaries of the prior calendar year upon which members' contributions are based. This rate will continue until the unfunded obligation is eliminated and then will be reduced to the amount required to cover the normal cost of the benefits in effect on July 1, 1990.

Summary Definitions

Beneficiary

Any person or entity entitled to receive payments because of the death of a member. Only a person (not an estate, trust, or corporation) may be designated to receive a joint and survivor allowance upon the death of the member.

California Service

Service performed in California for which service credit may be given.

Coverage A

Coverage A refers to the disability allowance and family allowance programs that existed prior to October 16, 1992. Coverage under these programs is mandatory for all members of the plan who were receiving a disability allowance or a service retirement allowance with a benefit effective date prior to October 16, 1992. Members who were not receiving a benefit on October 16, 1992, could elect to retain this coverage.



Coverage B

Coverage B refers to the disability retirement and survivor benefits programs that were enacted on October 16, 1992. Coverage is mandatory for all new members and was elective for members who were not receiving a benefit and had membership effective dates prior to October 16, 1992.

Credited Service

Service credit for which required contributions have been paid.

Creditable Service

Specific activities performed for an employer in a position requiring a credential, certificate, or permit, or under the appropriate minimum standards adopted by the Board of Governors of the California Community Colleges, or under the provisions of an approved charter for the operation of a charter school for which the employer is eligible to receive state apportionment.

Disability or Disabled

Any medically determinable physical or mental impairment which is permanent or which can be expected to last continuously for at least 12 months. The disability must prevent a member from performing the member's usual duties with reasonable modifications or the duties of a comparable level for which the member is qualified or can become qualified by education, training or experience. A member may apply for disability while still employed. Any impairment from a willful self-inflicted injury shall not constitute a disability.

Disabled Member

A member to whom a disability allowance is payable.

Eligible Child

Coverage A

A member's unmarried offspring, adopted child or stepchild up to age 22 who is dependent upon the member on the effective date of the disability allowance or the date of the member's death.

Coverage B

A member's offspring, adopted child or stepchild, regardless of marital or student status up to 21 years of age, if dependent on the member on the effective date of disability retirement or the date of the member's death.

Indexed Final Compensation

The final compensation increased to reflect the change in the average salary increase of all active members of the plan. The member's base disability allowance or disability retirement plus employment earnings is compared to the indexed final compensation to determine if the member's earnings have exceeded either the single month or six-month earnings limit.

Joint and Survivor Options

Option 2

Joint and 100 percent to beneficiary: Upon the retired member's death the modified allowance will continue to be paid to the option beneficiary for life.

Option 3

Joint and 50 percent to beneficiary: Upon the retired member's death, one-half of the modified allowance will continue to be paid to the option beneficiary for life.

Option 4

Joint and 66-2/3 percent to survivor: Upon the death of either the retired member or the option beneficiary, two-thirds of the modified allowance will continue to be paid to the survivor for life.

Option 5

Joint and 50 percent to survivor: Upon the death of either the retired member or the option beneficiary, one-half of the modified allowance will continue to be paid to the survivor for life.

Option 6

Joint and 100 percent to beneficiary with "pop up:" Upon the retired member's death, the modified allowance will continue to be paid to the option beneficiary for life. If the option beneficiary predeceases the retired member, the retired member's allowance will rise or "pop up" to the unmodified level.

Option 7

Joint and 50 percent to beneficiary with "pop up:" Upon the retired member's death, one-half of the modified allowance will continue to be paid to the option beneficiary for life. If the option beneficiary predeceases the retired member, the retired member's allowance will rise or "pop up" to the unmodified level.

Member

Any person who has performed creditable service for an employer and has earned compensation for that service and has not received a refund for that service, unless specifically excluded by law.

Active Member:

A member who earns compensation during the school year.

Inactive Member:

A member who, by the pay period ending June 30, has not earned compensation during the school year.

Disabled Member:

A member to whom a disability allowance is payable.

Retired Member:

A member who has terminated employment and has retired for service or has retired for disability and to whom a retirement allowance is payable.

Parent

A natural parent or a parent who adopted the member prior to the member's attainment of 18 years of age or marriage, whichever occurs earlier.

Projected Final Compensation

The final compensation used to determine the disability or family allowance benefit increased by 2 percent compounded annually to June 30th prior to age 60. To compute a family allowance based on the death of a member who was receiving a disability allowance, compensation is projected through the June 30th prior to the member's death.

Projected Service

Credited service plus the service that would have been earned to age 60 (or termination of the disability allowance, whichever comes first) had the member continued to work and receive credit at the same rate as the highest of any one of three school years immediately preceding the effective date of disability or the date of the member's death.

Retired Member

A member who has terminated employment and has retired for service or has retired for disability and to whom a retirement allowance is payable.



Return of Member Contributions

A one-time payment of all accumulated member contributions in excess of the monthly allowances already paid. Payment equals the member's total accumulated contributions and interest at time of retirement, disability or death less the sum of all monthly allowance payments received. The refund is payable when there are no longer any beneficiaries or survivors who qualify for a continuing monthly allowance from the plan.

Surviving Spouse

A person who was married to the member for at least 12 months prior to the member's death. May be married less than 12 months if a child was born during the marriage or if the surviving spouse is carrying the member's unborn child.

Changes in Plan Provisions

There have been no plan amendments which would impact an actuarial valuation of STRS since the last annual financial report was issued. All plan provisions were considered in the completion of the June 30, 1997 actuarial valuation.

Cash Balance Plan

Actuary's Certification Letter



November 16, 1998

Watson Wyatt & Company

Suite 700
15303 Ventura Boulevard
Sherman Oaks, CA 91403-3197
Telephone 818 906 2631
Fax 818 906 2097

Teachers' Retirement Board
California State Teachers' Retirement System

Dear Members of the Board:

We have performed an actuarial valuation of the California State Teachers' Retirement System Cash Balance Plan as of June 30, 1997. The primary purpose of the valuation is to determine the adequacy of the current contribution rates through the measurement of the Gain and Loss Reserve, to describe the current financial condition of the Plan, and to analyze changes in the Plan's condition.

The Gain and Loss Reserve and the Unfunded Actuarial Accrued Liability illustrate the progress toward the realization of financing objectives. Based on the actuarial valuation as of June 30, 1997, the Plan has an Unfunded Actuarial Accrued Liability of \$557,078. Plan participation and the related asset base has not been sufficient to fund initial and ongoing administrative expenses. This situation is expected to continue into the near future, until participation levels increase. (Subsequent to the completion of the valuation, legislation has passed which will eliminate the Unfunded Actuarial Accrued Liability for this Plan.)

Actuarial valuations for this plan are performed annually. This valuation as of June 30, 1997 is the first valuation for this plan.

Information presented in the following supporting tables included in this Actuarial Section of the 1998 Comprehensive Annual Financial Report are based on information found in our June 30, 1997 actuarial valuation report:

- Post retirement mortality
- Probabilities of retirement
- Probabilities of withdrawal from active service
- Assumption for pay increases
- Economic assumptions
- Mortality assumptions
- Termination from disability
- Service retirement rates
- Disability rates
- Withdrawal rates
- Probability of refund
- Promotional salary increases
- Analysis of financial experience



Cash Balance Plan Actuary's Certification Letter continued



In addition, data for the fiscal year ending June 30, 1997 presented in Schedule 1, and the summary of actuarial methods and assumptions in Schedule 2 of the Financial Section, are based on information found in our valuation report.

The valuation was based on financial and employee data received from the System. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and determined it sufficiently accurate for purposes of our calculations.

Actuarial methods and assumptions have been selected by the Teachers' Retirement Board. The Board has sole authority to determine the actuarial assumptions used for the Plan. In our opinion, the actuarial assumptions used are appropriate for purposes of the valuation, and are internally consistent and reflect reasonable expectations. Note that the results of future valuations will differ from the June 30, 1997 results to the extent that actual experience differs from that projected by the assumptions.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board of the American Academy of Actuaries. The results also comply with the requirements of the California statutes and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries. Both are Fellows of the Society of Actuaries, Enrolled Actuaries, and Members of the American Academy of Actuaries, and both are experienced in performing valuations for large public retirement systems.

Respectfully submitted,

Sharon A. Bronzwaer, FSA, EA, MAAA
Consulting Actuary

W. Michael Carter, FSA, EA, MAAA
Consulting Actuary

Summary of Actuarial Assumptions and Methods

STRS, through its consulting actuary, will perform an experience study at least every four years to determine appropriate demographic and economic assumptions. These assumptions are then applied every year when the consulting actuary performs an actuarial valuation to monitor the funding status of the Cash Balance Plan. The most recent actuarial valuation was completed as of June 30, 1997, and adopted by the Teachers' Retirement Board in March 1998.

The Cash Balance Plan was established July 1, 1996 and, therefore, has not yet existed for a sufficient period of time to allow completion of the first experience study. For this reason, it was necessary for the actuary to provide recommended economic and demographic assumptions that were based on those used by the Defined Benefit Plan and the actuary's best judgement based on the actuary's experience with similar plans. These recommendations were adopted by the

Teachers' Retirement Board on November 6, 1997, and were used to complete the first actuarial valuation which was completed as of June 30, 1997. Following are the assumptions adopted by the Teachers' Retirement Board for this plan.

- Investment return rate is 7.00 percent.
- Method used to value plan assets for actuarial valuation purposes: The actuarial value of assets is equal to the net assets available for benefits. This is the same as market value of assets less payables as reflected in the financial statements.
- Current assumptions and methods were adopted by the Teachers' Retirement Board based on recommendations made by the consulting actuary. Assumptions for this plan were adopted by the board on November 6, 1997.
- Assumption for general wage increase because of inflation is 5.5 percent, of which 4.5 percent is due to inflation and 1.0 percent is due to expected gains in productivity.

AGE	MALE	FEMALE
50	0.28%	0.15%
55	0.48	0.23
60	0.71	0.38
65	1.11	0.64
70	1.98	1.09
75	3.34	2.11
80	5.48	3.85
85	8.93	6.38
90	13.39	10.14
95	19.05	16.51
	1983 GAM (-3)	1983 GAM (-1)

Table #1: Post-retirement mortality table for sample ages



AGE	MALE	FEMALE
55	6.3%	6.8%
60	26.1	19.8
65	28.3	24.6
70	100.0	100.0

Table #2: Probabilities of retirement for sample ages

DURATION	ALL MALES	ENTRY AGES—FEMALE			
		27	32	37	42
1	14.8%	14.8%	14.8%	14.8%	14.8%
2	8.8	8.8	8.6	7.7	6.6
3	6.8	7.7	6.8	5.4	5.1
4	5.8	6.8	5.8	4.4	4.3
5	5.0	5.9	5.0	3.8	3.6
10	2.5	2.5	2.2	1.9	1.6
15	1.3	1.2	1.2	1.2	
20	0.8	0.9	0.9		
25	0.5	0.8			

Table #3: Probabilities of withdrawal from active service before age and service retirement for sample ages (Assumption for the CB Plan is 125% of the rates shown in this table.)

- The actuarial cost method used by the plan is the traditional unit credit cost method.
- The Cash Balance Plan does not provide cost-of-living adjustments for benefit recipients.
- The assumptions on this and the preceding page were adopted November 6, 1997, by the Teachers' Retirement Board.
- Because this is a relatively new plan, sufficient information is not yet available to allow a study of the plan's actual experience. Initial experience for this plan was developed using the experience of the Defined Benefit Plan and the judgment and expertise of the qualified consulting actuary.

DURATION	ENTRY AGES			
	27	32	37	42
MALE				
1	8.0%	9.5%	9.8%	8.9%
10	3.6	2.6	1.9	2.0
20	1.1	0.7	0.7	0.4
30	0.7	0.6	0.7	0.4
FEMALE				
1	7.2	7.7	8.5	5.4
10	3.1	2.5	2.7	2.6
20	0.7	0.6	0.9	1.0
30	0.3	0.4	0.5	0.6

Table #4: Assumption for pay increases due to promotions and longevity for sample ages (exclusive of the assumed general wage increase, which includes inflation)

The assumptions recommended by the actuary were adopted by the Teachers' Retirement Board November 6, 1997. All assumptions used in the subsequent actuarial valuation were provided as described. The only actuarial valuation for this plan was completed February 26, 1998 (as of June 30, 1997) and adopted by the Teachers' Retirement Board March 5, 1998.

Discussion of recent changes in:

The nature of the plan—The Cash Balance Plan is a relatively new plan, established July 1, 1996. All provisions of the plan were considered when completing the most recent actuarial valuation.

Actuarial assumptions—The following assumptions were used to complete the valuation for this plan.

The economic assumptions for the actuarial valuation as of June 30, 1997, did not impact the unfunded actuarial obligation. The economic assumptions for this plan will have minimal impact under the traditional unit

Consumer Price Inflation	4.50%
Investment Yield	7.00%
Wage Inflation	5.50%
Interest on Participant Accounts	7.00%

Table #5: Economic assumptions

credit cost method or only have significance when participants elect to annuitize the account balance. Under the plan, a participant must have at least \$3,500 in his or her account to elect to annuitize the account balance.

Future service credits are determined by using individual records and projecting future service credits for each member based on that member's actual service credit earned in the prior year.

Retired Members	- Male - Female	1983 GAM-M(-3) 1983 GAM-F(-1)
Active Members	- Male - Female	1983 GAM-M(-5) 1983 GAM-F(-3)
Beneficiaries	- Male - Female	1983 GAM-M(-3) 1983 GAM-F(-1)

Table #6: Mortality assumptions

Male	1983 GAM-M (Minimum 3.5%)
Female	1983 GAM-F (Minimum 2.2%)

Table #7: Termination from disability

Male	
55	6.3%
60	26.1%
65	28.3%
70	100.0%
Female	
55	6.8%
60	19.8%
65	24.6%
70	100.0%

Table #8: Service retirement (sample ages)





AGE	Sample Entry Ages		
	<37	42	47
- Male			
25	0.02%		
30	0.07		
35	0.12		
40	0.13		
45	0.16	0.23%	
50	0.20	0.36	0.49%
55	0.27	0.46	0.80
- Female			
25	0.03%		
30	0.03		
35	0.05		
40	0.09		
45	0.14	0.23%	
50	0.23	0.36	0.40%
55	0.32	0.46	0.60

Table #9: Disability rates (sample ages)

Duration	All Males	Sample Entry Ages – Female			
		27	32	37	42
1	14.8%	14.8%	14.8%	14.8%	14.8%
2	8.8	8.8	8.6	7.7	6.6
3	6.8	7.7	6.8	5.4	5.1
4	5.8	6.8	5.8	4.4	4.3
5	5.0	5.9	5.0	3.8	3.6
10	2.5	2.5	2.2	1.9	1.6
15	1.3	1.2	1.2	1.2	
20	0.8	0.9	0.9		
25	0.5	0.8			

Table #10: Withdrawal rates
Rates of termination by sample durations of membership and sample entry ages. Assumption is 125% of the rates shown.

Duration	Sample Entry Ages			
	27	32	37	42
- Male				
Under 5	100%	100%	100%	100%
10	60	50	50	45
15	50	45	45	
20	40	40		
25	30			
- Female				
Under 5	100%	100%	100%	100%
10	40	40	40	35
15	35	35	35	
20	30	25		
25	20			

Table #11: Probability of refund

STATE TEACHERS' RETIREMENT SYSTEM

DURATION	SAMPLE ENTRY AGES			
	27	32	37	42
MALE				
1	8.0%	9.5%	9.8%	8.9%
10	3.6	2.6	1.9	2.0
20	1.1	0.7	0.7	0.4
30	0.7	0.6	0.7	0.4
FEMALE				
1	7.2	7.7	8.5	5.4
10	3.1	2.5	2.7	2.6
20	0.7	0.6	0.9	1.0
30	0.3	0.4	0.5	0.6

Table #12: Promotional salary increases (assumption for salaries due to promotions and longevity, exclusive of the assumed general wage increase)

The demographic assumptions for the actuarial valuation as of June 30, 1997, did not impact the unfunded actuarial obligation. The demographic assumptions for this plan will have minimal impact under the traditional unit credit cost method or only have significance when participants elect to annuitize the account balance. Under the plan, a participant must have at least \$3,500 in his or her account to elect to annuitize the account balance.

Actuarial methods

Actuarial Cost Method Traditional unit credit

Asset Valuation Method Equal to the net assets available
for benefits

The actuarial methods used for the plan's actuarial valuation as of June 30, 1997, result in an unfunded actuarial accrued Liability of \$557,078. Plan participation and the related asset base has not been sufficient to fund initial and ongoing administrative expenses. This situation is expected to continue into the near future until participation levels increase. (Subsequent to completion of the valuation, legislation has passed that will eliminate the unfunded actuarial accrued liability for this plan.)

STRS contracts for all actuarial services. The current contractor, Watson Wyatt & Company, has been STRS' actuary since October 1, 1997. This firm completed the first actuarial valuation for the Cash Balance Plan as of June 30, 1997.



There are no other specific assumptions that have a material impact on valuation results for this plan.

Date (As of 6/30)	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
1996	Plan established July 1, 1996			
1997	1,057	\$4,504,000	\$4,261	na
1998	Information not available for this CAFR			

Table #13: Schedule of active member valuation data

Date (as of June 30)	Added to Rolls		Removed from Rolls		Rolls – End of Year		% Increase in Annual Allowances	Average Annual Allowances
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances		
1996	Plan established July 1, 1996							
1997	0	\$0	0	\$0	0	\$0	na	na
1998	Information not available for this CAFR							

Table #14: Schedule of retired members and beneficiaries added to and removed from rolls

Valuation Date (as of 6-30)	Aggregate Accrued Liabilities For						Funding of Liabilities	
	(1) Active Member Contributions On Deposit	(2) Future Benefits to Benefit Recipients	(3) Service Already Rendered by Active Members	Actuarial Value of Assets	(1)	(2)	(3)	
1996	Plan established July 1, 1996							
1997	\$164,078	\$0	\$0	\$(393,000)	-240.0%	na	na	
1998	Information not available for this CAFR							

Table #15: Solvency test

Analysis of financial experience

Because the current actuarial valuation as of June 30, 1997, is the plan's first actuarial valuation, there was no gain and loss statement provided by the actuary.

Independent actuarial review

Actuarial services for the State Teachers' Retirement System are provided, under contract, by a qualified independent actuarial firm. STRS does not retain an actuary on-staff.

The work performed for STRS by the independent actuarial firm is subject to periodic audit by the Bureau of State Audits. Also, through the competitive acquisition process, the work of a prior actuary will be verified in a subsequent actuarial valuation performed by a new contract actuary. Should the same actuarial firm continue for a period of 10 years, provisions are made for an independent review of that firm's work through an actuarial audit completed by another firm. These audit services are acquired using the competitive acquisition process.

Past actuarial work performed for STRS has been found to be in compliance with actuarial standards of practice and to be of the highest quality.

The actuarial consultant was retained on October 1, 1997 as a result of the competitive acquisition process. The first major task of the new consultant was to complete the plan's first actuarial valuation, which was done as of June 30, 1997.





Cash Balance Plan Summary Provisions

Description of Plan

The Cash Balance Plan is a defined benefit plan that meets the requirements of the Internal Revenue Code. It is optional to school districts, community college districts or county offices of education as an alternative retirement plan. The CB Plan is a primary retirement program for employees of California's public schools who are hired to perform creditable service for less than 50 percent of the full-time equivalent for the position.

Plan Eligibility Requirements

Employers may offer the plan to eligible employees. Employers must elect through formal school board action, exclusively, or in addition to other alternative plans, and/or Social Security.

When an employer first elects to offer the plan, employees employed to perform creditable service, and whose basis of employment (employee's formal contract) is less than 50 percent of the FTE for the position, become participants on the later of: (1) the first day in which creditable service is performed or (2) the effective date of the employer's governing board's action to provide the CB Plan.

Elections

Employees have the right to elect coverage under either Social Security or an alternative plan in lieu of the CB Plan if the employer's governing board's action provides for these options.

An election to participate in either Social Security or an alternative plan does not prevent an employee from electing to participate in the CB Plan at a later date, as long as the CB Plan is provided by the employer and the employee is eligible to participate in the plan.

Discontinued eligibility

Employees shall cease contributing to the CB Plan and become mandatory members of the STRS Defined Benefit Plan when the basis of employment (formal contract) changes to 50 percent or more of full-time for the position, OR upon election to the STRS DB Plan, which may occur at any time.

Contributions

Each employer contributes a minimum of 4 percent of salary on behalf of each participating employee. Through the collective bargaining process, employers are permitted to pay different levels of employee and employer contributions, as long as the following conditions are met:

- 1) The sum of the employee and employer contributions equals or exceeds 8 percent of employee salary.
- 2) The employee and employer contribution rates are the same for each participant employed by the employer.
- 3) The contribution rates as determined under the collective bargaining agreement become effective on the first day of the plan year and remain in effect for at least one plan year.

Vesting

A participant has an immediate vested right to a retirement benefit equal to the sum of the balance of contributions, including any compounded interest earned on his or her employee and employer accounts.

Guaranteed Interest Rate

The CB Plan has a guaranteed interest rate that is determined annually by the Teachers' Retirement Board. The rate is based on the average of thirty-year U.S. Treasury notes for the 12 months immediately preceding the plan year (May–April).

Plan Investments

The CB Plan is a separate benefit structure within STRS. CB Plan contributions are invested at the direction of the board in internally pooled portfolios of the Teachers' Retirement Fund. The plan has ownership of units of these pooled portfolios, which reflect market fluctuations of underlying securities on a daily basis. Units are purchased using the current market value per unit. Unitized funds are accounted for on a multiple class level, which entails the sharing of one portfolio by two or more owners. Income and portfolio level expenses are distributed to each class level on a pro rata basis determined by the amount of units owned as a percentage of the total units of the portfolio.

Gain and Loss Reserve

Funds accumulate in a gain and loss reserve to credit interest to participants' employee and employer accounts during years when the rate of return on investments is less than the guaranteed interest rate. Annual additions to the reserve are determined by the board on earnings in excess of those needed to credit the guaranteed interest rate and pay administrative costs. The gain and loss reserve will also be used to ensure adequate funds are available in the annuitant reserve for monthly annuity payments.

Additional Earnings Credit

After the end of the plan year, when the total investment earnings for the immediately preceding plan year are known, the board may declare an additional earnings credit. Any additional earnings credit will be applied to participants' employee and employer accounts.

Retirement Eligibility

Normal retirement age is 60, but no earlier than age 55 years. A participant must terminate all creditable service in the CB Plan and apply for a retirement benefit.

Distribution of a retirement benefit must begin by age 70 1/2, unless still working.

Early Withdrawals

Both federal and California state tax codes provide for tax penalties for certain early withdrawals. A 20 percent federal and 6 percent state tax penalty may be assessed for early withdrawals.

Rollover

Participants may be permitted to transfer funds from eligible retirement plans into the CB Plan, as long as the transfers are allowable under applicable federal and state laws.

Retirement Benefit

Normal retirement benefit is a lump-sum benefit equal to the balance of credits in participant's employee and employer accounts. All the lump-sum payment may be eligible to roll over into an IRA, defined contribution plan or other eligible retirement plan that accepts such a rollover.

or

Participant may choose one of the following five annuities, if participant's balance is \$3,500 or more: a single life annuity with a cash refund feature, a single life annuity without a cash refund feature, a 100 percent joint and survivor annuity, a 50 percent joint and survivor annuity, and a period-certain annuity.

Reinstatement from Retirement

If a participant reinstates subsequent to commencing a monthly annuity:

- within one year and prior to age 60. All annuities must be terminated and a credit balance will be applied to the participant's account. The participant must reapply for subsequent retirement.



- after one year and age 60 or older. Continue any annuity and credit new contributions to a new participant's account. The participant would apply for subsequent retirement on the basis of the new account.

Disability Eligibility

A participant may apply for disability at any time. All creditable service subject to coverage by the CB Plan must be terminated prior to the disability date. A disability benefit will become payable only upon determination by the board that the participant has a total and permanent disability.

Disability Benefit

Normal distribution is a lump-sum benefit. The benefit amount is equal to the balance of contributions, interest and additional credits in participant's employee and employer accounts. There is also an annuity available in the same five retirement benefit options as long as participant's account balance is \$3,500 or more.

Death Benefit

Death of Participant Prior to Retirement

Normal distribution is a lump-sum benefit. The sum of the balance of credits of the participant's employee and employer accounts is payable to the named beneficiary. If no valid beneficiary is designated, the lump-sum payment will be paid to the participant's estate.

Surviving Spouse

If a participant's surviving spouse is the only beneficiary to whom a death benefit is payable, the spouse may elect to receive the benefit in the form of an annuity, provided the sum of the balance of credits to the participant's employee and employer accounts equals or exceeds \$3,500. The surviving spouse may elect either a single life annuity without a cash refund feature or a period certain annuity.

Death of Participant Receiving Annuity

Benefit payable in accordance with form of annuity elected by participant.

Termination Benefit (Refunds)

Upon termination of all creditable service subject to coverage by the plan, for any reason other than death, disability or retirement, a participant may apply for a lump-sum termination benefit. The benefit amount is equal to the sum of the employee and employer accounts, plus compounded interest as of the date the benefit is paid.

Five-Year Rule

A participant may not apply for a termination benefit if less than five years has elapsed following the date the most recent termination benefit was distributed to the participant.

Waiting Period

The termination benefit is payable after one year has elapsed following the date of termination of employment. The application for the termination benefit will be automatically canceled if the participant performs creditable service within one year following the date of termination of employment.

Changes in Plan Provisions

There have been no plan amendments that would impact an actuarial valuation of STRS since the last annual financial report was issued. All plan provisions were considered in the completion of the June 30, 1997 actuarial valuation.

Summary Definitions

Additional Earnings Credit

A percentage determined by the board for a plan year by means of a plan amendment and credited to employee and employer accounts on a specified date.

Annuitant Reserve

Reserve account established by the board within the STRS Cash Balance Fund for the payment of monthly annuities.

Beneficiary

Any person(s) or entity designated by the participant or otherwise entitled by law to receive the death benefit under the plan.

Creditable Service

Specific activities performed for an employer in a position requiring a credential, certificate, or permit, or under the appropriate minimum standards adopted by the Board of Governors of the California Community Colleges, or under the provisions of an approved charter for the operation of a charter school for which the employer is eligible to receive state apportionment.

Death Benefit

Benefit payable under the plan upon the death of the participant.

Defined Benefit Plan

State Teachers' Retirement System Defined Benefit Plan as set forth in Part 13 (commencing with Section 22000) of the Education Code.

Disability Benefit

Benefit for permanent and total disability, that is an amount equal to the sum of the participant's employee and employer accounts as of the disability date.

Disability Date

Date the benefit becomes payable to a participant who has been approved for a disability benefit from the plan.

Employee Account

The nominal account of the participant to which employee contributions and interest and any additional earnings credits are credited under the plan.

Employee Contribution Rate

Percentage of the participant's salary withheld by the employer as an employee contribution.

Employee Contribution

Amount withheld from the participant's salary by the employer.

Employer Account

Nominal account of the participant in which employer contributions on behalf of the participant and interest and any additional earnings credits are credited.

Employer

School district, community college district or county office of education that has elected to provide the benefits of the plan to persons employed to perform creditable service. Employer does not include the state.

Employer Contribution Rate

Percentage of salary the employer contributes to the plan with respect to each employee who is a participant of the plan.

Employer Contribution

Amount contributed by the employer to the plan for each employee who is a participant.



Full-Time Equivalent

The time a person who is employed on a part-time basis would be required to serve in a school year if he or she was employed full time in that position, as defined by Education Code Section 22138.5.

Participant

Person who has performed creditable service subject to coverage under the CB Plan and who has contributions credited under the plan or is receiving an annuity under the plan by reason of creditable service.

Plan Year

Period commencing on July 1 and ending on June 30 in the following year.

Reinstatement

Reemployment with an employer in which creditable service subject to coverage by the plan had previously been terminated and a lump-sum distribution or annuity had been paid.

Retirement Benefit

An amount equal to the sum of the participant's employee and employer accounts as of the retirement date.

Retirement Date

Date the benefit becomes payable to a participant who has applied for a retirement benefit from the CB Plan.

Salary

Remuneration in cash for creditable service by an employer to a participant. Salary does not include fringe benefits, job-related expenses, money paid for unused accumulated leave, compensatory damages, severance pay, annuity contracts, tax-deferred retirement programs, or other insurance programs.

Termination Benefit

An amount equal to the sum of the participant's employee and employer accounts payable under the provisions of the CB Plan upon termination of all creditable service.

Total and Permanent Disability

Any medically determinable physical or mental incapacity that is expected to prevent the participant from performing creditable service for the employer for a continuous period of at least one year.

Defined Benefit Plan

Note: Supplemental statistical tables are available upon request to the Public Service Office at 1-800-228-5453.

Fiscal Year Ending June 30	Member Contributions	Employer Contributions	Percentage of Annual Covered Payroll	Investment Income (1)	State of California (2)	Other Income	Total
1998	\$1,302.8	\$1,371.4	0.08	\$1,2949.5	\$1,004.6	0.7	\$16,629.0
1997	1,195.8	1,250.0	0.08	11,018.8	872.4	0.7	14,337.7
1996	1,089.0	1,140.8	0.08	7,463.7	754.8	0.1	10,448.4
1995	1,027.4	1,070.1	0.08	8,066.9	733.1	1.8	10,899.3
1994	1,003.1	1,068.4	0.08	3,125.5	758.6	14.5	5,970.1
1993	971.1	1,028.1	0.08	3,105.8	751.3	6.7	5,863.0
1992	977.3	1,029.6	0.08	2,572.8	418.6	10.7	5,009.0

Table #1: Schedule of revenues by source (in millions)

(1) Includes SB 1370 (Elder Full Funding), SBMA contributions and school lands revenue.

(2) GASB 25, which required reporting of investments at fair value, was adopted in 1995. Investments are stated at cost for 1994 and prior years.

Fiscal Year Ending June 30	Benefit Payments	Administrative Expenses	Refunds	Misc. (1)	Total
1998	\$3,103.2	\$36.3	\$69.0	\$0.0	\$3,208.5
1997	2,912.3	37.1	65.9	0.0	3,015.3
1996	2,749.7	36.2	69.2	0.0	2,855.1
1995	2,567.7	34.0	66.8	0.0	2,668.5
1994	2,389.9	31.0	61.4	0.9	2,483.2
1993	2,180.6	31.0	68.3	0.9	2,280.8
1992	1,808.8	27.5	56.6	0.9	1,893.8

Table #2: Expenses by type

(1) Payments made by the system to a district maintaining a local retirement system equal to the pension (public) portion of allowance



Fiscal Year Ending June 30, 1998	Age & Service Benefits			Disability Benefits			Refunds	
	Retired Members	Survivors	Death in Service Benefits (1)	Retired Members	Survivors (2)	Death	Separation	Total
1998	\$2953.7	\$30.3	\$29.6	\$66.5	\$1.0	\$22.1	\$69.0	\$3172.2
1997	2770.0	28.9	32.2	59.4	0.8	21.3	65.9	2978.5
1996	2616.4	26.2	31.4	53.0	0.6	22.1	69.2	2818.9
1995	2449.6	24.1	27.0	45.9	0.4	20.4	66.6	2634.0
1994	2283.9	23.0	24.2	39.7	0.2	19.8	61.4	2452.2
1993	2096.2	21.3	13.0	34.1	0.1	16.8	68.3	2249.8
1992	1732.2	19.8	13.5	30.7	0.0	13.5	56.6	1866.3
1991	1537.8	18.1	10.7	29.4	0.0	11.8	51.7	1659.5
1990	1412.0	17.6	11.8	27.7	0.0	13.6	50.4	1533.1
1989	1292.3	16.5	10.2	24.7	0.0	11.3	45.5	1400.5
1988	1168.4	16.2	8.8	24.2	0.0	10.6	45.0	1273.2
1987	1065.3	15.3	9.8	24.0	0.0	9.5	46.5	1170.4

Table #3: Schedule of benefit expenses by type

(1) Lump-sum death benefit payment was increased from \$2,000 to \$5,000 and implemented in the 1993–94 fiscal year
 (2) Amounts paid for disability benefits to survivors was included with amounts paid to members retired for disability until October 16, 1992, when STRS' law changed disability qualifications and how benefits were paid. After that date, new benefits to survivors were recorded and tracked as a separate benefit type.

Monthly Unmodified Allowance	Count	Average Age at Retirement	Average Service Credit	Average Final Compensation	Average Allowance Payable
Less than \$500	570	61.3	9.034	\$2,513	\$435
500–1000	634	60.2	12.613	3,465	723
1000–1500	646	60.0	18.561	3,913	1,208
1500–2000	958	59.6	24.176	4,235	1,694
2000–2500	1,221	60.2	28.119	4,410	2,157
2500–3000	1,267	60.9	31.537	4,561	2,614
3000–3500	1,031	61.5	34.548	4,745	3,039
3500–4000	566	62.3	37.212	5,054	3,441
4000–4500	194	62.8	37.875	5,566	3,895
4500–5000	116	62.6	38.224	6,156	4,350
More than \$5000	129	62.7	39.411	7,327	5,295
Totals	7,332	60.8*	26.750*	\$4,345*	\$2,193*

Table #4: Members retired for service classified by unmodified allowance during fiscal year 1997–98

(Does not include formerly disabled members)

*Overall averages

STATE TEACHERS' RETIREMENT SYSTEM

Age	Total	Unmod.	Options					
			2	3	4	5	6	7
Under 55	19	7	2	2	0	0	2	6
55	298	174	18	4	0	2	45	55
56	618	375	21	12	5	5	100	100
57	454	255	31	10	3	6	85	64
58	455	225	25	2	4	4	113	82
59	550	267	30	17	9	2	128	97
60	1,169	553	77	25	14	8	269	223
61	1,008	443	70	33	17	3	251	191
62	614	293	33	11	7	3	155	112
63	474	260	44	7	6	3	90	64
64	368	189	25	8	2	4	87	53
65	336	177	30	7	6	0	69	47
66	288	149	28	3	4	3	56	45
67	187	110	14	5	5	2	31	20
68	127	71	11	4	1	0	26	14
69	103	61	11	1	2	0	15	13
70	78	49	5	1	0	1	8	14
71	58	38	5	1	0	1	9	4
72	47	33	4	1	1	0	7	1
73	19	12	1	1	0	0	5	0
74	12	9	1	0	0	0	2	0
75	14	10	1	0	0	0	2	1
Over 75	36	29	1	2	0	0	3	1
Age Unknown	0	0	0	0	0	0	0	0
Total	7,332	3,789	488	157	86	47	1,558	1,207

Table #5: Members retired for service classified by age and joint and survivor annuity option elected during fiscal year 1997–98 See Plan Summary for description of Joint and Survivor Annuities (Does not include formerly disabled members)

Fiscal Year Ending June 30	Count	Disability Allowance Payable	Service Credit	Final Compensation	Age at Disability
1989	194	\$1,585	18.334	\$3,051	50.2
1990	236	1,664	17.215	3,142	49.9
1991	306	1,725	17.559	3,178	50.1
1992	298	1,856	17.759	3,428	49.9
1993	388	1,809	16.014	3,300	50.3
1994	468	1,824	15.977	3,676	51.4
1995	469	1,851	15.914	3,656	51.3
1996	496	1,859	15.952	3,641	51.9
1997	464	1,923	15.660	3,883	52.0
1998	451	1,989	14.446	3,906	52.3

Table #6: Characteristics of members going on disability

Note: Some data are updated in the following year to include late approvals of disability applications.



Fiscal Year Ending June 30	Service Retirement	Disability Benefits	Benefits for Survivors	Total Benefit Recipients
1989	107,143	4,653	7,577	119,373
1990	110,465	4,830	7,941	123,236
1991	115,010	4,872	8,292	128,174
1992	118,963	4,914	8,634	132,511
1993	122,762	4,879	9,346	136,987
1994	126,476	5,126	10,271	141,873
1995	130,576	5,331	10,898	146,805
1996	133,764	5,540	11,501	150,805
1997	135,809	5,676	12,154	153,639
1998	139,193	5,758	12,796	157,747

Table #7: Number of benefit recipients by type of benefit

STATE TEACHERS' RETIREMENT SYSTEM

Effective Date of Retirement by Service Credit	Number of Retirements	Average Service Credit	Average Monthly Benefit	Average Final Compensation	Average Age At Retirement
7/1/88 thru 6/30/89	6,829	25.7	\$1,579	\$3,295	61.0
7/1/89 thru 6/30/90	6,428	26.2	\$1,839	\$3,513	60.9
7/1/90 thru 6/30/91	7,712	26.9	\$1,813	\$3,748	61.3
7/1/91 thru 6/30/92	6,913	26.6	\$2,050	\$3,862	61.4
7/1/92 thru 6/30/93	7,780	26.8	\$2,153	\$3,960	61.3
7/1/93 thru 6/30/94					
0 - 5	51	2.4	\$ 215	-	-
5 - 10	419	7.4	385	-	-
10 - 15	465	12.6	748	-	-
15 - 20	589	17.6	1,186	-	-
20 - 25	908	22.7	1,694	-	-
25 - 30	1,547	27.5	2,158	-	-
30 - 35	1,858	32.5	2,682	-	-
35 - 40	1,099	36.9	3,356	-	-
40 & over	216	42.6	4,036	-	-
Total	7,152	27.0	\$2,187	\$4,043	60.9
7/1/94 thru 6/30/95					
0 - 5	97	2.1	\$ 267	-	-
5 - 10	534	7.2	356	-	-
10 - 15	433	12.4	687	-	-
15 - 20	617	17.6	1,116	-	-
20 - 25	899	22.6	1,566	-	-
25 - 30	1,423	27.6	2,044	-	-
30 - 35	1,719	32.4	2,461	-	-
35 - 40	1,185	37.0	3,006	-	-
40 & over	233	42.7	3,669	-	-
Total	7,140	26.5	\$1,984	\$4,030	61.1

Table #8: Members retired for service characteristics by year of retirement

(Does not include formerly disabled members)



Effective Date of Retirement by Service Credit	Number of Retirements	Average Service Credit	Average Monthly Benefit	Average Final Compensation	Average Age At Retirement
7/1/95 thru 6/30/96					
0 - 5	68	2.5	\$ 241	-	-
5 - 10	474	7.3	395	-	-
10 - 15	514	12.4	763	-	-
15 - 20	639	17.6	1,222	-	-
20 - 25	883	22.6	1,663	-	-
25 - 30	1,298	27.7	2,171	-	-
30 - 35	1,660	32.4	2,662	-	-
35 - 40	1,213	37.1	3,393	-	-
40 & over	236	42.1	4,107	-	-
Total	6,985	26.6	\$2,171	\$4,110	61.3
7/1/96 thru 6/30/97					
0 - 5	50	2.4	\$ 292	-	-
5 - 10	419	7.3	398	-	-
10 - 15	480	12.4	769	-	-
15 - 20	526	17.6	1,245	-	-
20 - 25	790	22.6	1,724	-	-
25 - 30	1,066	27.6	2,251	-	-
30 - 35	1,447	32.5	2,722	-	-
35 - 40	1,026	37.2	3,443	-	-
40 & over	207	42.0	4,080	-	-
Total	6,011	26.6	\$2,210	\$4,206	60.9
7/1/97 thru 6/30/98					
0 - 5	73	2.5	\$ 298	-	-
5 - 10	530	7.4	414	-	-
10 - 15	572	12.6	834	-	-
15 - 20	581	17.7	1,280	-	-
20 - 25	884	22.6	1,811	-	-
25 - 30	1,356	27.7	2,331	-	-
30 - 35	1,799	32.5	2,817	-	-
35 - 40	1,259	37.2	3,548	-	-
40 & over	278	42.0	4,251	-	-
Total	7,332	26.8	\$2,310	\$4,345	60.8

Table #8 continued: members retired for service characteristics by year of retirement
(Does not include formerly disabled members)

Defined Benefit Plan Schedule of Participating Employers

Alameda County

K-12

County Superintendent
Alameda Unified
Albany Unified
Berkeley Unified
Castro Valley Unified
Dublin Joint Unified
Emery Unified
Fremont Unified
Hayward Unified
Livermore Valley
Joint Unified
Mountain House
Elementary
Newark Unified
New Haven Unified
Oakland Unified
Piedmont City Unified
Pleasanton Unified
San Leandro Unified
San Lorenzo Unified
Sunol Glen Unified

Community Colleges

Chabot Las Positas
Fremont Newark
Peralta Community

Alpine County

K-12

County Superintendent
Alpine County Unified

Amador County

K-12

Amador County Unified

Butte County

K-12

County Superintendent
Bangor Union Elementary
Biggs Unified
Chico Unified
Durham Unified
Feather Falls Union
Elementary
Golden Feather Union
Elementary
Gridley Union Elementary
Gridley Union High
Manzanita Elementary
Oroville City Elementary
Oroville Union High

Palermo Union
Paradise Unified
Pioneer Union Elementary
Thermalito Union

Community Colleges

Butte

Calaveras County

K-12

County Superintendent
Bret Harte Union High
Calaveras Unified
Mark Twain Union
Elementary
Vallecito Union Elementary

Colusa County

K-12

County Superintendent
Colusa Unified
Maxwell Unified
Pierce Joint Unified
Williams Unified

Contra Costa County

K-12

County Superintendent
Acalanes Union High
Antioch Unified
Brentwood Union
Byron Union Elementary
Canyon Elementary
John Sweet Unified
Knightsen Elementary
Lafayette Elementary
Liberty Union High
Martinez Unified
Moraga Elementary
Mt Diablo Unified
Oakley Union Elementary
Orinda Union Elementary
Pittsburg Unified
Richmond Unified
San Ramon Valley Unified
Walnut Creek Elementary

Community Colleges

Contra Costa

Del Norte County

K-12

County Superintendent
Del Norte County Unified

El Dorado County

K-12

County Superintendent
Black Oak Mine Unified
Buckeye Union Elementary
Camino Union
El Dorado Union High
Gold Oak Union
Gold Trail Union
Indian Diggings Elementary
Lake Tahoe Unified
Latrobe Elementary
Mother Lode Union
Pioneer Union Elementary
Placerville Union
Elementary
Pollock Pines Elementary
Rescue Union Elementary
Silver Fork Elementary

Community Colleges

Lake Tahoe

Fresno County

K-12

County Superintendent
Alvina Elementary
American Union
Elementary
Big Creek Elementary
Burrel Union Elementary
Caruthers Union
Elementary
Caruthers Union High
Central Unified
Clay Joint Elementary
Clovis Unified
Coalinga/Huron Unified
Firebaugh-Las Deltas
Unified
Fowler Unified
Fresno Unified
Golden Plains Unified
Kerman Unified
Kings Canyon Joint Unified
Kingsburg Joint Union
Elementary/Kingsburg
Elementary Community
Charter
Laton Joint Unified
Mendota Unified
Monroe Elementary
Orange Center Elementary
Pacific Union Elementary
Parlier Unified
Pine Ridge Elementary

Raisin City Elementary
Riverdale Unified
Sanger Unified
Selma Unified
Sierra Unified
Washington Colony
Elementary
Washington Union High
West Fresno Elementary
West Park Elementary
Westside Elementary

Community Colleges

State Center
West Hills

Glenn County

K-12

County Superintendent
Capay Joint Union
Elementary
Hamilton Union Elementary
Hamilton Union High
Lake Elementary
Orland Joint Unified
Plaza Elementary
Princeton Joint Unified
Stony Creek Joint Unified
Willows Unified

Humboldt County

K-12

County Superintendent
Arcata Elementary
Big Lagoon Union
Elementary
Blue Lake Union
Elementary
Bridgeville Elementary
Cuddeback Union
Elementary
Cuttan Elementary
Eureka City Elementary
Eureka City High
Fendale Unified
Fieldbrook Elementary
Fortuna Union Elementary
Fortuna Union High
Freshwater Elementary
Garfield Elementary
Green Point Elementary
Hydesville Elementary
Jacoby Creek Elementary
Klamath Trinity Joint
Unified
Kneeland Elementary



Lolita Union Elementary
 Maple Creek Elementary
 Mattole Unified
 Mckinleyville Union
 Elementary
 Northern Humboldt
 Union High
 Orick Elementary
 Pacific Union Elementary
 Peninsula Union Elementary
 Rio Dell Elementary
 Rohnerville Elementary
 Scotia Union Elementary
 South Bay Union
 Elementary
 Southern Humboldt
 Joint Unified
 Trinidad Union Elementary

Community Colleges
 Redwoods

Imperial County

K-12
 County Superintendent
 Brawley Elementary
 Brawley Union High
 Calexico Unified
 Calipatria Unified
 Central Union High
 El Centro Elementary
 Heber Elementary
 Holtville Unified
 Imperial Unified
 Magnolia Union Elementary
 Mccabe Union Elementary
 Meadows Union
 Mulberry Elementary
 San Pasqual Valley Unified
 Seeley Union Elementary
 Westmorland Union
 Elementary

Community Colleges
 Imperial

Inyo County

K-12
 County Superintendent
 Big Pine Unified
 Bishop Joint Union High
 Bishop Union Elementary
 Death Valley Unified
 Lone Pine Unified
 Owens Valley Unified S D
 Round Valley Joint
 Elementary

Kern County

K-12
 County Superintendent
 Arvin Union Elementary
 Bakersfield City Elementary
 Beardsley Elementary

Belridge Elementary
 Blake Elementary
 Buttonwillow Union
 Elementary
 Caliente Union Elementary
 Delano Joint Union High
 Delano Union Elementary
 Di Giorgio Elementary
 Edison Elementary
 El Tejon Unified
 Elk Hills Elementary
 Fairfax Elementary
 Fruitvale Elementary
 General Shafter Elementary
 Greenfield Union
 Kern Union High
 Kernville Union Elementary
 Lakeside Union Elementary
 Lamont Elementary
 Linns Valley-Poso Flat
 Union Elementary

Lost Hills Union
 Elementary
 Maple Elementary
 Maricopa Unified
 Mcfarland Unified
 Mckittrick Elementary
 Midway Elementary
 Mojave Unified
 Muroc Joint Unified
 Norris Elementary
 Panama-Buena Vista Union
 Pond Union Elementary
 Richland-Lerdo Elementary
 Rio Bravo-Greeley Union
 Elementary
 Rosedale Union Elementary
 Semitropic Elementary
 Sierra Sands Unified
 South Fork Union
 Elementary
 Southern Kern Unified
 Standard Elementary
 Taft City Elementary
 Taft Union High
 Tehachapi Unified
 Vineland Elementary
 Wasco Union Elementary
 Wasco Union High

Community Colleges
 Kern
 Westkern

Kings County

K-12
 County Superintendent
 Armona Union Elementary
 Central Union Elementary
 Corcoran Joint Unified
 Delta View Joint Union
 Elementary
 Hanford Elementary
 Hanford Joint Union High
 Island Union Elementary
 Kings River Hardwick
 Union Elementary

Kit Carson Union
 Elementary
 Lakeside Union Elementary
 Lemoore Union Elementary
 Lemoore Union High
 Pioneer Union Elementary
 Reef-Sunset Unified

Lake County

K-12
 County Superintendent
 Kelseyville Unified
 Konocti Unified
 Lakeport Unified
 Lucerne Elementary
 Middletown Unified
 Upper Lake Union
 Elementary
 Upper Lake Union High

Lassen County

K-12
 County Superintendent
 Big Valley Joint Unified
 Fort Sage Unified
 Janesville Union Elementary
 Johnstonville Elementary
 Lassen Union High
 Ravendale-Termo
 Elementary
 Richmond Elementary
 Shaffer Union
 Susanville Elementary
 Westwood Unified

Community Colleges
 Lassen

Los Angeles County

K-12
 Los Angeles County Schools
 ABC Unified
 Acton-Agua Dulce Unified
 Alhambra City Elementary
 Alhambra City High
 Antelope Valley Union High
 Arcadia Unified
 Azusa Unified
 Baldwin Park Unified
 Bassett Unified
 Bellflower Unified
 Beverly Hills Unified
 Bonita Unified
 Burbank Unified
 Castaic Union
 Centinela Valley
 Union High
 Charter Oak Unified
 Claremont Unified
 Compton Unified
 Covina Valley Unified
 Culver City Unified
 Downey Unified
 Duarte Unified

East Whittier City
 Elementary
 Eastside Union
 El Monte City Elementary
 El Monte Union High
 El Rancho Unified
 El Segundo Unified
 Garvey Elementary
 Glendale Unified
 Glendora Unified
 Gorman Elementary
 Hacienda La Puente Unified
 Hawthorne Elementary
 Hermosa Beach City
 Elementary
 Hughes Elizabeth Lakes
 Union Elementary
 Inglewood Unified
 Keppel Union Elementary
 La Canada Unified
 Lancaster Elementary
 Las Virgenes Unified
 Lawndale Elementary
 Lennex Elementary
 Little Lake City Elementary
 Long Beach Unified
 Los Angeles Unified
 Los Nietos Elementary
 Lowell Joint Elementary
 Lynwood Unified
 Manhattan Beach Unified
 Monrovia Unified
 Montebello Unified
 Mountain View Elementary
 Newhall Elementary
 Norwalk-La Mirada Unified
 Palmdale Elementary
 Palos Verdes Peninsula
 Unified
 Paramount Unified
 Pasadena Unified
 Pomona Unified
 Redondo Beach Unified
 Rosemead Elementary
 Rowland Unified
 San Gabriel Elementary
 San Marino Unified
 Santa Monica-Malibu
 Unified
 Saugus Union Elementary
 South Pasadena Unified
 South Whittier Elementary
 Sulphur Springs Union
 Elementary
 Temple City Unified
 Torrance Unified
 Valle Lindo Elementary
 Walnut Valley Unified
 West Covina Unified
 Westside Union Elementary
 Whittier City
 Whittier Union High
 William S Hart Union High
 Wilsona
 Wiseburn Elementary

Community Colleges

Antelope Valley
Cerritos
Citrus
Compton
El Camino
Glendale
Long Beach
Los Angeles
Mt San Antonio
Pasadena Area
Rio Hondo
Santa Clarita
Santa Monica

Madera County

K-12

County Superintendent
Alview-Dairyland Union
Elementary
Bass Lake Joint Union
Elementary
Chawanakee Elementary
Chowchilla Elementary
Chowchilla Union High
Coarsegold Union
Elementary
Madera Unified
Minarets Elementary
Raymond-Knowles Union
Elementary
Yosemite Union High

Marin County

K-12

County Superintendent
Bolin Stinson Union
Elementary
Dixie Elementary
Kentfield Elementary
Laguna Joint Elementary
Lagunitas Elementary
Larkspur Elementary
Lincoln Elementary
Mill Valley Elementary
Nicasio Elementary
Novato Unified
Reed Union Elementary
Ross Elementary
Ross Valley Elementary
San Rafael City Elementary
San Rafael City High
Sausalito Elementary
Shoreline Unified
Tamalpais Union High
Union Joint Elementary

Community Colleges

College of Marin

Mariposa County

K-12

County Unified

Mendocino County

K-12

County Superintendent
Anderson Valley Unified
Arena Union Elementary
Fort Bragg Unified
Laytonville Unified
Leggett Valley Unified
Manchester Union
Elementary
Mendocino Unified
Point Arena Joint Union
High
Potter Valley Community
Unified
Round Valley Unified
Ukiah Unified
Willits Unified

Community Colleges

Mendocino Lake

Merced County

K-12

County Superintendent
Atwater Elementary
Ballico Cressey Elementary
Delhi Elementary
Dos Palos-Oro Loma Joint
Unified
El Nido Elementary
Gustine Unified
Hilmar Unified
Le Grand Union Elementary
Le Grand Union High
Livingston Union
Los Banos Unified
Mcswain Union Elementary
Merced City Elementary
Merced River Union
Elementary
Merced Union High
Plainsburg Elementary
Planada Elementary
Snelling Merced Falls
Union Elementary
Weaver Union Elementary
Winton Elementary

Community Colleges

Merced

Modoc County

K-12

County Superintendent
Modoc Joint Unified
Surprise Valley Joint Unified
Tule Lake Basin Joint
Unified

Mono County

K-12

Mono County Office of
Education

Eastern Sierra Unified
Library
Mammoth Unified

Monterey County

K-12

County Superintendent
Alisal Union Elementary
Bradley Union Elementary
Carmel Unified
Chualar Union Elementary
Gonzales Unified
Graves Elementary
Greenfield Union
Elementary
King City Joint Union High
King City Union Elementary
Lagunita Elementary
Mission Union Elementary
Monterey Peninsula Unified
North Monterey County
Unified
Pacific Grove Unified
Pacific Unified
Salinas City Elementary
Salinas Union High
San Antonio Union
Elementary
San Ardo Union
Elementary
San Lucas Union
Elementary
Santa Rita Union
Elementary
Soledad Unified
Spreckels Union
Elementary
Washington Union
Elementary

Community Colleges

Hartnell

Monterey Peninsula

Napa County

K-12

County Superintendent
Calistoga Joint Unified
Howell Mountain
Elementary
Napa Valley Unified
Pope Valley Union
Elementary
St Helena Unified

Community Colleges

Napa Valley

Nevada County

K-12

County Superintendent
Chicago Park Elementary
Clear Creek Elementary
Grass Valley Elementary

Nevada City Elementary
Nevada Joint Union High
Pleasant Ridge Union
Elementary
Pleasant Valley Elementary
Ready Springs Union
Twin Ridges Elementary
Union Hill Elementary

Orange County

K-12

County Superintendent
Anaheim City
Anaheim Union High
Brea-Olinda Unified
Buena Park Elementary
Capistrano Unified
Centralia Elementary
Cypress Elementary
Fountain Valley Elementary
Fullerton Elementary
Fullerton Joint Union High
Garden Grove Unified
Huntington Beach City
Elementary
Huntington Beach
Union High
Irvine Unified
La Habra City Elementary
Laguna Beach Unified
Los Alamitos Unified
Magnolia Elementary
Newport-Mesa Unified
Ocean View Elementary
Orange Unified
Placentia Yorba Linda
Unified
Saddleback Valley Unified
Santa Ana Unified
Savanna Elementary
Tustin Unified
Westminster Elementary

Community Colleges

North Orange County

Rancho Santiago

South Orange

Placer County

K-12

County Superintendent
Ackerman Elementary
Alta-Dutch Flat Union
Elementary
Auburn Union Elementary
Colfax Elementary
Dry Creek Joint Elementary
Emigrant Gap Elementary
Eureka Union Elementary
Foresthill Union Elementary
Loomis Union Elementary
Newcastle Elementary
Ophir Elementary
Penryn Elementary



Placer Hills Union
Elementary
Placer Union High
Rocklin Unified
Roseville City Elementary
Roseville Joint Union High
Tahoe-Truckee Unified
Western Placer Unified

Community Colleges
Sierra Joint

Plumas County

K-12
County Superintendent
Plumas Unified
Feather River

Riverside County

K-12
County Superintendent
Alvord Unified
Banning Unified
Beaumont Unified
Coachella Valley Unified
Corona-Norco Unified
Desert Center Unified
Desert Sands Unified
Hemet Unified
Jurupa Unified
Lake Elsinore Unified
Menifee Union Elementary
Moreno Valley Unified
Murrieta Valley Unified
Nuvew Union Elementary
Palm Springs Unified
Palos Verdes Unified
Perris Elementary
Perris Union High
Riverside Unified
Romoland Elementary
San Jacinto Unified
Temecula Valley Unified
Val Verde Unified

Community Colleges
Desert
Mt San Jacinto
Palo Verde
Riverside

Sacramento County

K-12
County Superintendent
Arcohe Union Elementary
Center Unified
Del Paso Heights
Elementary
Elk Grove Unified
Elverta Joint Elementary
Folsom Cordova Unified
Galt Joint Union
Elementary
Galt Joint Union High

Grant Joint Union High
Natomas Unified
North Sacramento
Elementary
Rio Linda Union
Elementary
River Delta Joint Unified
Robla Elementary
Sacramento City Unified
San Juan Unified

Community Colleges
Los Rios

San Benito County

K-12
County Superintendent
Aromas/San Juan Unified
Bitterwater-Tully Union
Elementary
Cienega Union Elementary
Hollister Elementary
Jefferson Elementary
North County Joint Union
Elementary
Panoche Elementary
San Benito High
Southside Elementary
Tres Pinos Union
Elementary
Willow Grove Union
Elementary

San Bernardino County

K-12
County Office of San
Bernardino
Adelanto Elementary
Alta Loma Elementary
Apple Valley Unified
Baker Valley Unified
Barstow Unified
Bear Valley Unified
Central Elementary
Chaffey Joint Union High
Chino Valley Unified
Colton Joint Unified
Cucamonga Elementary
Etiwanda Elementary
Fontana Unified
Helendale
Hesperia Unified
Lucerne Valley Unified
Morongo Unified
Mountain View
Elementary
Mt Baldy Joint Elementary
Needles Unified
Ontario Montclair
Elementary
Oro Grande Elementary
Redlands Unified
Rialto Unified
Rim Of The World Unified

San Bernardino City
Unified
Silver Valley Unified
Snowline Joint Unified
Trona Joint Unified
Upland Unified
Victor Elementary
Victor Valley Union High
Yucaipa Joint Unified

Community Colleges
Barstow
Chaffey
San Bernardino
Victor Valley

San Diego County

K-12
County Superintendent
Alpine Union
Bonsall Union
Borrego Springs Unified
Cajon Valley Union
Elementary
Cardiff Elementary
Carlsbad Unified
Chula Vista Elementary
Coronado Unified
Dehesa
Del Mar Union
Encinitas Union Elementary
Escondido Union
Elementary
Escondido Union High
Fallbrook Union Elementary
Fallbrook Union High
Grossmont Union High
Jamul Dulzura Union
Elementary
Julian Union Elementary
Julian Union High
La Mesa Spring Valley
Lakeside Union Elementary
Lemon Grove Elementary
Mountain Empire Unified
National Elementary
Oceanside Unified
Pauma Elementary
Poway Unified
Ramona Unified
Rancho Santa Fe
Elementary
San Diego City Unified
San Dieguito Union High
San Marcos Unified
San Pasqual Union
San Ysidro Elementary
Santee Elementary
Solana Beach Elementary
South Bay Union
Elementary
Spencer Valley Elementary
Sweetwater Union High
Vallecitos
Valley Center Union
Elementary

Vista Unified
Warner Unified

Community Colleges
Grossmont Cuyamaca
Miracosta
Palomar
San Diego
Southwestern

San Francisco County

K-12
San Francisco City/
County Superintendent
San Francisco Unified

Community Colleges
San Francisco

San Joaquin County

K-12
County Superintendent
Banta Elementary
Delta Island Union
Elementary
Escalon Unified
Holt Union Elementary
Jefferson Elementary
Lammersville Elementary
Lincoln Unified
Linden Unified
Lodi Unified
Manteca Unified
New Hope Elementary
New Jerusalem Elementary
Oak View Union
Elementary
Ripon Unified
Stockton City Unified
Tracy Elementary
Tracy Joint Union High

Community Colleges
San Joaquin Delta

San Luis Obispo County

K-12
County Superintendent
Atascadero Unified
Cayucos Elementary
Coast Unified
Lucia Mar Unified
Paso Robles Joint Unified
Pleasant Valley Joint Union
Elementary
San Luis Coastal Unified
San Miguel Joint Union
Elementary
Shandon Joint Unified
Templeton Unified

STATE TEACHERS' RETIREMENT SYSTEM

Community Colleges
San Luis Obispo County

San Mateo County

K-12

County Superintendent
Bayshore Elementary
Belmont Elementary-
Redmond Shores
Brisbane Elementary
Burlingame Elementary
Cabrillo Unified
Hillsborough City
Jefferson Elementary
Jefferson Union High
La Honda-Pescadero
Unified
Laguna Salada Union
Elementary
Las Lomas Elementary
Menlo Park City
Elementary
Millbrae Elementary
Portola Valley Elementary
Ravenswood City
Elementary
Redwood City Elementary
San Bruno Park Elementary
San Carlos Elementary
San Mateo-Foster City
San Mateo Union High
Sequoia Union High
South San Francisco Unified
Woodside Elementary

Community Colleges
San Mateo

Santa Barbara County

K-12

County Superintendent
Ballard Elementary
Blochman Union
Elementary
Buellton Union Elementary
Carpinteria Unified
Casmalia Elementary
Cold Spring Elementary
College Elementary
Cuyama Joint Unified
Goleta Union Elementary
Guadalupe Union
Elementary
Hope Elementary
Lompoc Unified
Los Alamos Elementary
Los Olivos Elementary
Montecito Union
Elementary
Orcutt Union Elementary
Santa Barbara Elementary
Santa Barbara High

Santa Maria-Bonita
Elementary
Santa Maria Joint
Union High
Santa Ynez Valley
Union High
Solvang Elementary
Vista Del Mar Union
Elementary

Community Colleges
Allan Hancock Joint
Santa Barbara

Santa Clara County

K-12

County Superintendent
Alum Rock Union
Elementary
Berryessa Union Elementary
Cambrian Elementary
Campbell Union
Elementary
Campbell Union High
Cupertino Union
East Side Union High
Evergreen Elementary
Franklin Mckinley
Elementary
Fremont Union High
Gilroy Unified
Lakeside Joint
Loma Prieta Joint Union
Elementary
Los Altos Elementary
Los Gatos Union
Elementary
Los Gatos-Saratoga Joint
Union High
Luther Burbank Elementary
Milpitas Unified
Montebello Elementary
Moreland Elementary
Morgan Hill Unified
Mountain View Elementary
Mountain View-Los Altos
Union High
Mt Pleasant Elementary
Oak Grove Elementary
Orchard
Palo Alto Unified
San Jose Unified
Santa Clara Unified
Saratoga Union Elementary
Sunnyvale Elementary
Union Elementary
Whisman Elementary

Community Colleges
Foothill Deanza
Gavilan Joint
San Jose Evergreen
West Valley Mission

Santa Cruz County

K-12

County Superintendent
Bonny Doon Union
Elementary
Happy Valley Elementary
Live Oak Elementary
Mountain Elementary
Pacific Elementary
Pajaro Valley Unified
San Lorenzo Valley Unified
Santa Cruz City
Elementary
Santa Cruz City High
Scotts Valley Union
Elementary
Soquel Union Elementary

Community Colleges
Cabrillo

Shasta County

K-12

County Superintendent
Anderson Union High
Bella Vista Elementary
Black Butte Elementary
Cascade Union Elementary
Castle Rock Union
Elementary
Columbia Elementary
Cottonwood Union
Elementary
Enterprise Elementary
Fall River Joint Unified
French-Gulch
Whiskeytown
Elementary
Gateway Unified
Grant Elementary
Happy Valley Union
Elementary
Igo, Ono, Plantina Union
Elementary
Indian Springs Elementary
Junction Elementary
Millville Elementary
Mountain Union
Elementary
North Cow Creek
Elementary
Oak Run Elementary
Pacheco Union Elementary
Redding Elementary
Shasta Union Elementary
Shasta Union High
Whitmore Union
Elementary

Community Colleges
Shasta-Tehema-Trinity

Sierra County

K-12

County Superintendent
Sierra Plumas Joint Unified

Community Colleges
Sierra

Siskiyou County

K-12

County Superintendent
Big Springs Union
Elementary
Bogus Elementary
Butte Valley Unified
Butteville Union
Elementary
Delphic Elementary
Dunsmuir Elementary
Dunsmuir Joint Union High
Etna Union Elementary
Etna Union High
Forks of Salmon
Elementary
Fort Jones Union
Elementary
Gazelle Union Elementary
Grenada Elementary
Happy Camp Union
Elementary
Hornbrook Elementary
Junction Elementary
Klamath River Union
Elementary
Little Shasta Elementary
McCloud Union
Elementary
Montague Elementary
Mt Shasta Union
Quartz Valley Elementary
Sawyers Bar Elementary
Seiad Elementary
Siskiyou Union High
Weed Union Elementary
Willow Creek Elementary
Yreka Union Elementary
Yreka Union High

Community Colleges
Siskiyou Joint

Solano County

K-12

County Superintendent
Benicia Unified
Dixon Unified
Fairfield Suisun Unified
Travis Unified
Vacaville Unified
Vallejo City Unified

Community Colleges
Solano County



Sonoma County

K-12

County Superintendent
 Alexander Valley Union
 Elementary
 Bellevue Union Elementary
 Bennett Valley Union
 Elementary
 Cinnabar Elementary
 Cloverdale Unified
 Cotati-Rohnert Park
 Unified
 Dunham Elementary
 Forestville Union
 Elementary
 Fort Ross Elementary
 Geyserville Unified
 Gravenstein Union
 Elementary
 Guerneville Elementary
 Harmony Union
 Elementary
 Healdsburg Unified
 Horicon Elementary
 Kashia Elementary
 Kenwood Elementary
 Liberty Elementary
 Mark West Union
 Elementary
 Monte Rio Union
 Elementary
 Montgomery Elementary
 Oak Grove Union
 Elementary
 Old Adobe Union
 Elementary
 Petaluma City Elementary
 Petaluma Joint Union High
 Piner-Olivet Union
 Elementary
 Rincon Valley Union
 Elementary
 Roseland Elementary
 Santa Rosa Elementary
 Santa Rosa High
 Sebastopol Union
 Elementary
 Sonoma Valley Unified
 Twin Hills Union
 Elementary
 Two Rock Union
 Elementary
 Waugh Elementary
 West Side Union
 Elementary
 West Sonoma County
 Union High
 Wilmar Union Elementary
 Windsor Unified
 Wright Elementary

Community Colleges

Sonoma County Junior
 College

Stanislaus County

K-12

County Superintendent
 Ceres Unified
 Chatom Union Elementary
 Denair Unified
 Empire Union Elementary
 Gration Elementary
 Hart Ransom Union
 Elementary
 Hickman Elementary
 Hughson Union Elementary
 Hughson Union High
 Keyes Union Elementary
 Knights Ferry Elementary
 La Grange Elementary
 Modesto City Elementary
 Modesto City High
 Newman-Crows Landing
 Unified
 Oakdale Joint Union High
 Oakdale Union Elementary
 Paradise Elementary
 Patterson Joint Unified
 Riverbank Elementary
 Roberts Ferry Union
 Elementary
 Salida Union Elementary
 Shiloh Elementary
 Stanislaus Union
 Elementary
 Sylvan Union Elementary
 Turlock Joint Elementary
 Turlock Joint Union High
 Valley Home Joint
 Elementary
 Waterford Elementary

Community Colleges

Yosemite

Sutter County

K-12

County Superintendent
 Brittan Elementary
 Browns Elementary
 East Nicolaus Joint Union
 High
 Franklin Elementary
 Live Oak Unified
 Marcum-Illinois Union
 Elementary
 Meridian Elementary
 Nuestro Elementary
 Pleasant Grove Joint Union
 Elementary
 Sutter Union High
 Winship Elementary
 Yuba City Unified

Tehama County

K-12

County Superintendent
 Antelope Elementary

Bend Elementary
 Corning Union Elementary
 Corning Union High
 Elkins Elementary
 Evergreen Union
 Elementary
 Flourney Union Elementary
 Gerber Union Elementary
 Kirkwood Elementary
 Lassen View Union
 Elementary
 Los Molinos Unified
 Manton Joint Union
 Elementary
 Mineral Elementary
 Plum Valley Elementary
 Red Bluff Union
 Elementary
 Red Bluff Joint Union High
 Reeds Creek Elementary
 Richfield Elementary

Trinity County

K-12

County Superintendent
 Burnt Ranch Elementary
 Coffee Creek Elementary
 Cox Bar Elementary
 Douglas City Elementary
 Junction City Elementary
 Lewiston Elementary
 Mountain Valley Unified
 Southern Trinity Joint
 Unified
 Trinity Center Elementary
 Trinity Union High
 Weaverville Elementary

Tulare County

K-12

County Superintendent
 Allensworth Elementary
 Alpaugh Unified
 Alta Vista Elementary
 Buena Vista Elementary
 Burton Elementary
 Citrus South Tule
 Elementary
 Columbine Elementary
 Cutler Orosi Joint Unified
 Dinuba Elementary
 Dinuba Joint Union High
 Ducor Union Elementary
 Earlimart Elementary
 Exeter Union Elementary
 Exeter Union High
 Farmersville Unified School
 District
 Hope Elementary
 Hot Springs Elementary
 Kings River Union
 Elementary
 Liberty Elementary
 Lindsay Unified

Monson Sultana Joint
 Union Elementary
 Oak Valley Union
 Elementary
 Outside Creek Elementary
 Palo Verde Union
 Elementary
 Pixley Union Elementary
 Pleasant View Elementary
 Porterville Elementary
 Porterville Union High
 Richgrove Elementary
 Rockford Elementary
 Saucelito Elementary
 Sequoia Union Elementary
 Springville Union
 Elementary
 Stone Corral Elementary
 Strathmore Union
 Elementary
 Strathmore Union High
 Sundale Union Elementary
 Sunnyside Union
 Elementary
 Terra Bella Union
 Elementary
 Three Rivers Union
 Elementary
 Tipton Elementary
 Traver Joint Elementary
 Tulare City Elementary
 Tulare Joint Union High
 Visalia Unified
 Waukena Joint Union
 Elementary
 Woodlake Union
 Elementary
 Woodlake Union High
 Woodville Elementary

Community Colleges

College of the Sequoias

Tuolumne County

K-12

County Superintendent
 Belleview Elementary
 Big Oak Flat Groveland
 Unified
 Chinese Camp Elementary
 Columbia Union
 Curtis Creek Elementary
 Jamestown Elementary
 Sonora
 Sonora Union High
 Soulsbyville Elementary
 Summerville Elementary
 Summerville Union High
 Twain Harte-Long Barn
 Union

Ventura County

K-12

County Superintendent
 Briggs Elementary

STATE TEACHERS' RETIREMENT SYSTEM

Conejo Valley Unified
Fillmore Unified
Hueneme Elementary
Mesa Union Elementary
Moorpark Unified
Mupu Elementary
Oak Park Unified
Ocean View Elementary
Ojai Unified
Oxnard Elementary
Oxnard Union High
Pleasant Valley Elementary
Rio Elementary
Santa Clara Elementary
Santa Paula Elementary
Santa Paula Union High
Simi Valley Unified

Somis Union Elementary
Ventura Unified

Community Colleges
Ventura County

Yolo County
K-12

County Superintendent
Davis Joint Unified
Esparto Unified
Washington Unified
Winters Joint Unified
Woodland Joint Unified

Yuba County

K-12
County Superintendent
Camptonville Elementary
Marysville Joint Unified
Plumas Elementary
Wheatland Elementary
Wheatland Union High

Community Colleges
Yuba

State Agencies

Board of Governors,
California Community
Colleges
CSU Chico
Department of Education
Porterville State Hospital

Cash Balance Plan Schedule of Participating Employers

Alameda County

Berkeley Unified School District
Chabot-Las Positas Community College District
Fremont-Newark Community College District
Peralta Community College District

Contra Costa County

Contra Costa Community College District
West Contra Costa Unified School District

Los Angeles County

El Camino Community College District
Glendale Community College District

Sacramento County

Robla Unified School District

San Diego County

Grossmont Union High School District

San Francisco County

City College of San Francisco

Santa Clara County

San Jose/Evergreen Community College District

Solano County

Solano County Community College District

Sonoma County

Sonoma County Junior College

Yuba County

Yuba Community College District

Schedule of Revenues by Source (thousands)

Fiscal Year Ending 6/30	Member Contributions	Employer Contributions	Percentage of Annual Covered Payroll	Income	Investment Income	Other Total
1998	\$772	\$772	8.09%	\$105	\$0	\$1,649
1997	74	74	8.00%	20.3	0	168.3
1996	0	0	8.00%	15.2	0	15.2

Schedule of Expenses by Type (thousands)

Fiscal Year Ending 6/30	Benefit Payments	Administrative Expenses	Refunds	Misc	Total
1998	\$0	\$397	\$0	\$69.0	\$466.0
1997	0	393	0	34.9	427.9
1996	0	128	0	19.8	147.8



Programs Administered or Overseen in the Retirement System—CalSTRS 403(b) Program

<i>Schedule of Revenues by Source (thousands)</i>				
Fiscal Year Ending 6/30	Participant Contributions	Interest, Dividends and Other Investment Income	Other (1)	Total
1998	\$5,079	\$2,911	\$0	\$7,990
1997	\$3,235	\$1,833	\$0	\$5,068
1996	\$1,168	\$978	\$15,978	\$18,119

(1) Transfer from Tax Sheltered Annuity Fund

<i>Schedule of Expenses by Type (thousands)</i>				
Fiscal Year Ending 6/30	Annuity Payments	Administrative Expenses	Refunds	Total
1998	\$165	\$155	\$1,662	\$1,982
1997	\$710	\$124	\$888	\$1,722
1996	\$1,907	\$111	\$0	\$2,018

Fresno County

- K-12**
 American Union Elementary
 Central Unified
 Clovis Unified
 Coalinga/Huron Unified
 Fresno Unified
 Kerman Unified
 Kings Canyon Joint Unified
 Mendota Unified
 Pacific Union Elementary

Community Colleges

State Center

Glenn County

- K-12**
 County Superintendent
 Capay Joint Union Elementary
 Hamilton Union Elementary
 Hamilton Union High
 Lake Elementary
 Orland Joint Union Elementary
 Orland Joint Union High
 Plaza Elementary
 Princeton Joint Unified
 Stony Creek Joint Unified
 Willows Unified

Humboldt County

- K-12**
 South Bay Union Elementary

Imperial County

- K-12**
 Brawley Elementary
 Calexico Unified
 El Centro Elementary
 Imperial Unified

Inyo County

- K-12**
 Bishop Joint Union High
 Round Valley Joint Elementary

Kern County

- K-12**
 County Superintendent
 Bakersfield City Elementary
 Belridge Elementary
 Edison Elementary

Participating Employers

Alameda County

- K-12**
 Alameda Unified
 Albany Unified
 Castro Valley Unified
 Fremont Unified
 Hayward Unified
 Livermore Valley Joint Unified
 Newark Unified
 New Haven Unified
 Oakland Unified
 Pleasonton Unified
 San Leandro Unified
 San Lorenzo Unified

Community Colleges

- Chabot Las Positas
 Fremont Newark
 Peralta

Amador County

- K-12**
 Amador County Unified

Butte County

- K-12**
 County Superintendent
 Bangor Union Elementary
 Chico Unified
 Durham Unified
 Manzanita Elementary
 Palermo Union
 Pioneer Union Elementary

Community Colleges

- Butte

Calaveras County

- K-12**
 County Superintendent

Colusa County

- K-12**
 Colusa Unified

Contra Costa County

- K-12**
 County Superintendent
 Acalanes Union High
 Brentwood Union

- John Sweet Unified
 Lafayette Elementary
 Mt Diablo Unified
 Oakley Union Elementary
 Orinda Union Elementary
 Richmond Unified
 Walnut Creek Elementary
 West Contra Costa Unified

Community Colleges

- Contra Costa

Del Norte County

- K-12**
 County Superintendent
 Del Norte County Unified

El Dorado County

- K-12**
 El Dorado Union High
 Lake Tahoe Unified
 Pioneer Union Elementary
 Rescue Union Elementary

Community Colleges

- Lake Tahoe

STATE TEACHERS' RETIREMENT SYSTEM

El Tejon Unified
Fruitvale Elementary
Greenfield Union
Kernville Union Elementary
Lakeside Union Elementary
Mojave Unified
Muroc Joint Unified
Richland-Lerdo Elementary
Rosedale Union Elementary
Sierra Sands Unified
Taft Union High
Tehachapi Unified

Community Colleges

Taft College
Westkern

Kings County

K-12

County Superintendent
Corcoran Joint Unified
Lakeside Union Elementary
Pioneer Union Elementary

Lake County

K-12

Konocti Unified
Lucerne Elementary
Middletown Unified

Los Angeles County

K-12

ABC Unified
Acton-Agua Dulce Unified
Antelope Valley Union High
Arcadia Unified
Bellflower Unified
Belvedere Middle School
Burbank Unified
Centinela Valley Union
High
Compton Unified
Covina Valley Unified
Culver City Unified
East San Gabriel ROP
Eastside Union
El Monte City Elementary
El Monte Union High
El Segundo Unified
Garvey Elementary
Glendale Unified
Hacienda La Puente Unified
Inglewood Unified
La Canada Unified
Lancaster Elementary
Las Virgenes Unified
Long Beach Unified
Los Angeles Unified
Manhattan Beach
Intermediate
Manhattan Elementary
Montebello Unified
Newhall Elementary

Palos Verdes Peninsula
Unified
Pasadena Unified
Rosemead Elementary
Rowland Unified
San Gabriel Elementary
Santa Monica-Malibu
Unified
Santa Ynez Valley Union
High
Soledad-Agua Dulce Union
Elem
Torrance Unified
Valle Lindo Elementary
Walnut Valley Unified
Westminster Elementary
Whittier Union High
William S Hart Union High

Community Colleges

Antelope Valley
Cerritos
Citrus
El Camino
Long Beach
Los Angeles
Santa Clarita
Santa Monica

Madera County

K-12

Yosemite Union High

Marin County

K-12

County Superintendent
Lincoln Elementary
Novato Unified
San Rafael City High
Union Joint Elementary

Community Colleges

College of Marin

Mendocino County

K-12

Fort Bragg Unified
Round Valley Unified
Ukiah Unified
Willits Unified

Community Colleges

Mendocino-Lake

Merced County

K-12

County Superintendent
Atwater Elementary
Ballico Cressey Elementary
Delhi Elementary
Dos Palos-Oro Loma Joint
Unified
El Nido Elementary

Gustine Unified
Hilmar Unified
Le Grand Union Elementary
Le Grand Union High
Livingston Union
Los Banos Unified
McSwain Elementary
Merced City Elementary
Merced River Union
Elementary
Merced Union High
Plainsburg Elementary
Planada Elementary
Snelling Merced Falls Union
Elementary
Weaver Union Elementary
Winton Elementary

Modoc County

K-12

County Superintendent

Monterey County

K-12

Bradley Union Elementary
Carmel Unified
Greenfield Union
Elementary
North Monterey County
Unified
Santa Rita Union
Elementary
Soledad Union Elementary
Community Colleges
Monterey Peninsula

Napa County

K-12

County Superintendent
Calistoga Joint Unified
Howell Mountain
Elementary
Napa Valley Unified
Pleasant Ridge Unified
Pope Valley Union
Elementary
St Helena Unified

Orange County

K-12

Anaheim City
Anaheim Union High
Brea-Olinda Unified
Capistrano Unified
Fullerton Joint Union High
Garden Grove Unified
Newport-Mesa Unified
Ocean View Elementary
Orange Unified
Placentia-Yorba Linda
Unified
Saddleback Valley Unified
Santa Ana Unified
Tustin Unified

Community Colleges
Coast

Placer County

K-12

Alta-Dutch Flat Union
Elementary
Auburn Union Elementary
Penryn Elementary
Placer Union High
Roseville City Elementary

Community Colleges

Sierra College

Riverside County

K-12

Banning Unified
Coachella Valley Unified
Hemet Unified
Palo Verde Unified
Riverside Unified
San Jacinto Unified
Temecula Valley Unified

Community Colleges

Desert

Sacramento County

K-12

County Superintendent
Center Unified
Elk Grove Unified
Folsom Cordova Unified
Grant Joint Union High
Natomas Union Elementary
Rio Linda Union
Elementary
River Delta Joint Unified
San Juan Unified
Sacramento City Unified

Community Colleges

Los Rios

San Benito County

K-12

County Superintendent
Jefferson Elementary

San Bernardino County

K-12

San Bernardino COE
Adelanto Elementary
Alta Loma Elementary
Baldy View ROP
Barstow Unified
Bear Valley Unified
Chaffey Union High
Chino Unified
Colton Joint Unified



Etiwanda Elementary
 Fontana Unified
 Helendale
 Morongo Unified
 Mountain View Elementary
 Needles Unified
 Ontario Montclair
 Elementary
 Rialto Unified
 Silver Valley Unified
 Upland Unified
 Victor Elementary
 Victor Valley Union High

Community Colleges
 Chaffey
 San Bernardino
 Victor Valley

San Diego County

K-12
 County Superintendent
 Cajon Valley Union
 Elementary
 Carlsbad Unified
 Chula Vista City
 Grossmont Union High
 La Mesa Spring Valley
 Lakeside Union Elementary
 Mountain Empire Unified
 Oceanside City Unified
 Poway Unified
 San Diego City Unified
 San Dieguito Unified
 San Marcos Unified
 San Ysidro Elementary
 Santee Elementary
 Solana Beach Elementary
 South Bay Union
 Elementary
 Sweetwater Union High
 Vista Unified
 Warner Unified

Community Colleges
 Grossmont Cuyamaca
 San Diego

San Francisco County

K-12
 San Francisco Unified

Community Colleges
 San Francisco

San Joaquin County

K-12
 County Superintendent
 Banta Elementary
 Delta Island Union
 Elementary
 Escalon Unified
 Holt Union Elementary

Jefferson Elementary
 Lammersville Elementary
 Lincoln Unified
 Lodi Unified
 Manteca Unified
 New Hope Elementary
 Oak View Union
 Elementary
 Stockton City Unified
 Tracy Elementary

Community Colleges
 San Joaquin Delta

San Luis Obispo County

K-12
 Lucia Mar Unified
 Paso Robles Union
 Elementary
 San Luis Coastal Unified

Community Colleges
 Cuesta
 San Luis Obispo County

San Mateo County

K-12
 Bayshore
 Belmont Elementary
 Hillsborough City
 Jefferson Elementary
 Las Lomitas Elementary
 Menlo Park City Elementary
 Portola Valley Elementary
 Redwood City Elementary
 San Mateo City
 South San Francisco Unified

Community Colleges
 San Mateo

Santa Barbara County

K-12
 Cuyama Joint Unified
 Los Alamos Elementary

Santa Clara County

K-12
 County Superintendent
 Alum Rock Union
 Elementary
 Berryessa Union Elementary
 Central County Regional
 Program
 Cupertino Union
 East Side Union High
 Evergreen Elementary
 Franklin Mckinley
 Elementary
 Fremont Union High
 Gilroy Unified

Lakeside Joint
 Los Gatos-Saratoga Joint
 Union High
 Milpitas Unified
 Montebello Elementary
 Moreland Elementary
 Mountain View Elementary
 Mountain View-Los Altos
 Union High
 San Jose Unified
 Santa Clara Unified
 Union Elementary

Community Colleges
 De Anza College
 Foothill-De Anza
 San Jose/Evergreen

Santa Cruz County

K-12
 County Superintendent
 Bonny Doon Union
 Elementary
 Happy Valley Elementary
 Live Oak Elementary
 Mountain Elementary
 Pacific Elementary
 Pajaro Valley Unified
 San Lorenzo Valley Unified
 Santa Cruz City Elementary
 Santa Cruz City High
 Scotts Valley Union
 Elementary
 Soquel Elementary

Community Colleges
 Cabrillo

Shasta County

K-12
 Happy Valley Union
 Elementary
 Millville Elementary
 Mountain Union
 Elementary

Community Colleges
 Shasta Tehema Trinity

Sierra County

K-12
 Sierra-Plumas Joint Unified

Siskiyou County

K-12
 County Superintendent
 Dunsmuir Joint Union High
 Etna Union High
 Klamath River Union
 Elementary
 Mt Shasta Union

Solano County

K-12
 Benicia Unified
 Fairfield-Suisun Unified
 Vacaville Unified
 Vallejo City Unified

Sonoma County

K-12
 Analy Union High
 Cloverdale Unified
 Cotati-Rohnert Park Unified
 Fort Ross Elementary
 Liberty Elementary
 Sebastopol Union
 Elementary
 Two Rock Union
 Elementary
 Windsor Unified
 Wright Elementary

Community Colleges
 Sonoma County Junior
 College

Stanislaus County

K-12
 Hickman Elementary
 Hughson Union High
 Stanislaus Union Elementary
 Turlock Joint Union High

Community Colleges
 Yosemite

Sutter County

K-12
 County Superintendent
 Browns Elementary
 Yuba City Unified

Tehama County

K-12
 Los Molinos Unified
 Red Bluff Union Elementary

Trinity County

K-12
 County Superintendent
 Junction City Elementary
 Southern Trinity Joint
 Unified

Tulare County

K-12
 Alpaugh Unified
 Earlimart Elementary
 Liberty Elementary
 Lindsay Unified
 Palos Verdes Union
 Elementary
 Porterville Union High
 Tulare Joint Union High
 Visalia Unified

STATE TEACHERS' RETIREMENT SYSTEM

Tuolumne County

K-12

Columbia Union

Ventura County

K-12

Oak Park Unified

Oxnard Elementary

Rio Elementary

Ventura Unified

Yolo County

K-12

County Superintendent

Davis Joint Unified

State Agencies

Board of Governors,

California Community

Colleges

CSU Chico

Department of Education

Porterville State Hospital



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